2ND ANNIVERSARY

VOLUME: 02 ISSUE NO: 30 JANUARY - 2025 PAGES - 21

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A Monthly Newsletter by Jammu & Kashmir Policy Institute (JKPI)

Page no.: 11

SUMMARY OF ECONOMIC SURVEY 2024-25

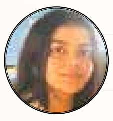
SPECIAL REPORT

Economic Survey 2025-26

ECONOMIC SURVEY 2025: CONTEXT, EVOLUTION, AND POLICY INSIGHTS

This significant national financial blueprint outlines key economic policies, reforms, and allocations that will shape India's growth trajectory.

ECONOMIC SURVEY 2025: CONTEXT, EVOLUTION, AND POLICY INSIGHTS



Khushi Amit

• COMMENTARY

1. INTRODUCTION

1.1 Context and Purpose of the Economic Survey

Every year, the Ministry of Finance, under the leadership of the Chief Economic Adviser (CEA), compiles and presents the *Economic Survey* to Parliament on the eve of the Union Budget. This tradition, which began as an annex to the Budget in 1950-51 and took a separate form from 1964, serves as India's foremost economic health checkup. It offers policy guidance, critically evaluates the performance of various sectors, and provides the intellectual scaffolding for next-year budgeting decisions.

The *Economic Survey 2025* (officially titled *Economic Survey 2024-25*) stands out for three main reasons:

1. **Global Flux**: The world economy remains in flux reeling under the aftereffects of the pandemic, adjusting to geopolitical tensions, and contending with a potential slowdown in large economies.
2. **Domestic Transformation**: India has doubled down on infrastructure projects, digital initiatives, financial inclusion, and forward-looking reforms, with an aspiration to become a developed economy by 2047.
3. **Climate Imperatives**: Growing evidence of extreme weather events droughts, floods, heatwaves compels the government to link economic growth with sustainability.

Hence, the *Economic Survey 2025* attempts to analyze these interconnected threads, presenting a roadmap toward resilient growth while cautioning against systemic vulnerabilities.

1.2 Evolution and Significance of the Survey

Historically, the Survey has moved beyond just a collation of data and into the realm of ideas. Under successive chief economic advisers, it has served as a conceptual laboratory, introducing frameworks such as:

- **The "Chakravyuha Challenge"** of exit barriers (Economic Survey 2015-16).
- **Universal Basic Income** as a concept (Economic Survey 2016-17).
- **Pandemic Response** and "Barbell Strategy" (Economic Survey 2020-21).

Now, the 2025 edition focuses on maintaining growth momentum, strengthening the structural pillars of the economy, and enhancing India's readiness for future disruptions whether financial, geopolitical, or environmental.

1.3 Structure of this Commentary

This extended commentary spans 17 sections (including this introduction). Each section addresses a specific domain macroeconomics, sectoral performance, social indicators, and so on to deliver a holistic review. Where relevant, we link back to prior Economic Survey analyses or official data to underscore continuity and changes in policy thinking.

2. ECONOMIC SURVEY 2025: THE BIG PICTURE

2.1 GDP Growth and Macro Trends

A key headline from the Survey is **India's projected GDP growth rate of 6.3–6.8% for FY26**. This bracket reflects the continuing resilience of domestic demand, tempered by possible external shocks. Notably:

- **Domestic Drivers**: Pent-up demand, the government's continued focus on capital expenditure, and expanding digital ecosystems that spur entrepreneurship.
- **External Influences**: A global slowdown, geopolitical tensions, and volatile commodity markets, potentially dampening export momentum.

The Survey points out that even though India is among the world's fastest-growing major economies, it cannot remain immune to global headwinds especially in manufacturing exports, energy imports, and capital flows.

2.2 Major Achievements and Cautions

1. **Achievements**
    - *Infrastructure Investment*: National Highway expansion, 5G rollout, and the modernization of ports (like Vadhavan) highlight significant progress.
    - *Financial Sector Health*: Gross NPAs of banks have plummeted to a 12-year low of **2.6%**, reflecting improved asset quality.
    - *Social Sector Gains*: A 15% CAGR in social spending (FY21–FY25), alongside increased female labor force participation from 23.3% to 41.7%.
2. **Cautions**
    - *Food Inflation*: The cost of vegetables and pulses remains a persistent thorn, as supply shocks quickly translate into price spikes.
    - *Equity Market Overheating*: The shift of household savings into mutual funds, equities, and digital lending might create pockets of vulnerability.
    - *Climate Risks*: Droughts and erratic monsoons can undermine rural income and hamper agricultural output.

2.3 Themes in the Survey   Continuity vs. Change

Compared to previous editions, the 2025 Survey builds on recurring themes growth facilitation via supply-side reforms, digital public infrastructure, and financial inclusion while amplifying the call for:

- **Deregulation**: Encouraging "risk-based regulations" rather than blanket rules.
- **Climate Adaptation**: Positioning environmental

sustainability as central to development.

- **Skill Upgradation**: Recognizing AI-driven transformations in job markets and doubling down on skill-building initiatives.

3. HISTORICAL CONTEXT AND METHODOLOGY

3.1 How the Economic Survey Evolved

From being merely a statistical supplement, the Economic Survey evolved into a crucial policy thought document over decades. In the 1970s and 1980s, it focused heavily on plan targets and agricultural production data. Post-liberalization (1991 onwards), it began weaving in more critical analysis of fiscal deficits, inflation control, and international trade.

Recent years saw the Survey adopt:

- **Big Data Analytics**: Using large administrative datasets to glean insights on formalization, GST patterns, or direct benefit transfers.
- **Interactive Format**: Infographics, thematic chapters, and policy recommendations presented in user-friendly capsules.

3.2 Preparing the Survey: Processes & Stakeholders

The CEA, supported by the Economic Division of the Department of Economic Affairs, spearheads the Survey. Multiple ministries contribute sector-specific data and policy evaluations:

- **Ministry of Agriculture** provides yield statistics and Kharif/Rabi season analyses.
- **Ministry of Finance** compiles fiscal data, tax receipts, and expenditure patterns.
- **RBI** shares monetary policy stance, banking health indicators, and financial inclusion metrics.
- **Ministry of Commerce & Industry** offers external trade and FDI trends.
- **NITI Aayog** inputs on national development priorities and progress under flagship schemes.

Drafts undergo rigorous peer reviews, ensuring factual accuracy and balanced perspectives.

3.3 Data Sources, Methodological Advances, and Limitations

Primary data emerges from:

- **National Statistical Office (NSO)** for GDP, CPI, IIP (Index of Industrial Production), etc.
- **GSTN Portal** for real-time analysis of tax patterns.
- **RBI** for monetary aggregates, credit statistics, and financial market trends.
- **Departmental Surveys** (like Agriculture Ministry's Crop Estimation Surveys).

Despite improvements, challenges remain:

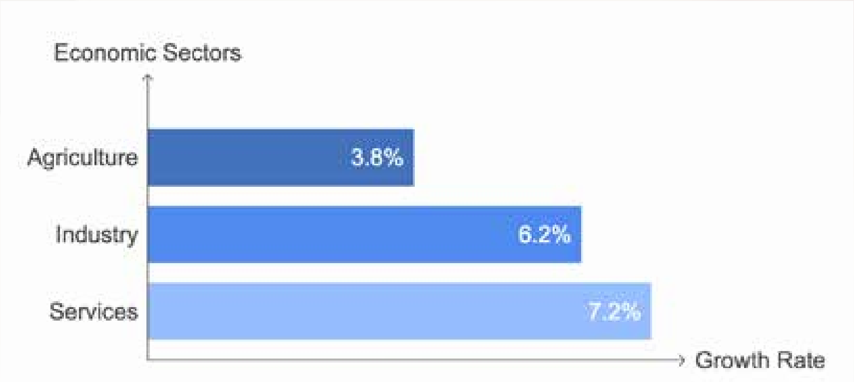
- **Timely Data Updates**: Lag in certain indicators can lead to reliance on provisional or estimated figures.
- **Quality of Administrative Data**: Registration-driven datasets can over/underestimate certain economic segments.
- **Heterogeneity and Complexity**: India's regional disparities make uniform national data somewhat opaque in capturing state-level nuances.

4. MACROECONOMIC OVERVIEW

4.1 National Income, Output, and Expenditure

GDP Growth: The Survey underscores that India's real GDP expanded by **7.2% in FY24**, moderating to around **6.3–6.8%** in the coming fiscal. Nominal GDP growth, incorporating inflation, is higher at about 10.5–11%.

1. **Components of GDP**
   - *Private Consumption*: Still the largest driver, boosted by rising disposable incomes and urban demand.
   - *Government Consumption*: Moderately rising, mainly in health, education, and rural development.
   - *Investment*: Public Capex remains robust; private investments follow suit but remain watchful of global uncertainties.
   - *Net Exports*: While exports grew, imports expanded faster due to high input costs, leading to a widening trade deficit.
2. **GVA by Sector**
   - Agriculture: 3.8% growth in FY25.
   - Industry: 6.2% growth, with manufacturing forming the crux.
   - Services: 7.2% growth, continuing to dominate the economy at 55% share.



4.2 Monetary Policy: The RBI's Balancing Act

Following the global inflationary pressures, the RBI gradually shifted from an accommodative stance (post-COVID) to maintaining a stable repo rate at **6.5%**. By controlling policy rates and reserve requirements:

- **Repo Rate**: Held steady, balancing inflation concerns with growth impetus.
- **CRR Reduction**: Cut to **4%**, injecting Rs. 1.16 lakh crore into banking liquidity.
- **Money Multiplier**: Rose to **5.7**, indicating efficient credit expansion.

The Survey highlights that while inflation cooled to **4.9%**, **food inflation** soared to **8.4%**, underscoring the precarious trade-off the RBI must manage. Global rate hikes, especially by the US Federal Reserve, pose an additional challenge, potentially prompting capital outflows.

4.3 Fiscal Policy: Revenue, Expenditure, and

Deficits

1. **Revenue Side**
    - GST Collections: Buoyant, crossing the monthly average of Rs. 1.5 lakh crore and reflecting better compliance.
    - Direct Taxes: Rising share from both personal income and corporate tax, driven by formalization and broader tax base.
    - Disinvestment: Slowed in FY24, with a modest pick-up in FY25. The Survey suggests more strategic privatization to reduce fiscal stress and spur efficiency.
2. **Expenditure Side**
    - Capital Expenditure: A major highlight, growing at **38.8% CAGR** (FY20–FY24). Spending is directed toward highways, railways, rural infrastructure, and digital connectivity.
    - Subsidies: Rationalization ongoing; however, extended coverage of free food grains (PMGKAY) adds to fiscal pressures.
3. **Deficits & Debt**
    - Fiscal Deficit: The government remains committed to a gradual path toward the FRBM (Fiscal Responsibility and Budget Management) target.
    - Public Debt: Generally stable, but the Survey warns about some states accumulating unsustainable debt levels.

4.4 Savings, Investment, and the Consumption Story

- **Household Savings**: A shift from bank deposits toward equity, mutual funds, and insurance products is noted. This can bolster financial depth, yet also raises the specter of household portfolios being vulnerable to market corrections.
- **Corporate Savings**: Many companies used the low-interest environment of past years to deleverage. Now, with healthier balance sheets, investment sentiments might revive further if global conditions stabilize.
- **Consumption**: Rural consumption remains stable, supported by improved agricultural output and government welfare programs. Urban consumption is more robust, especially in discretionary sectors like travel, hospitality, and lifestyle goods.

5. SECTORAL ANALYSIS I: AGRICULTURE & ALLIED ACTIVITIES

5.1 Agriculture's GDP Contribution and Employment Context

Agriculture contributes **16%** of GDP but employs around **46.1%** of India's workforce. The sector's share has been steadily declining in GDP composition, but it remains a social and political focal point:

- **Rural Demand Engine**: Agricultural income influences broader rural consumption.
- **Livelihood Imperative**: With nearly half the population dependent on farming, any structural shift must consider equitable transitions.

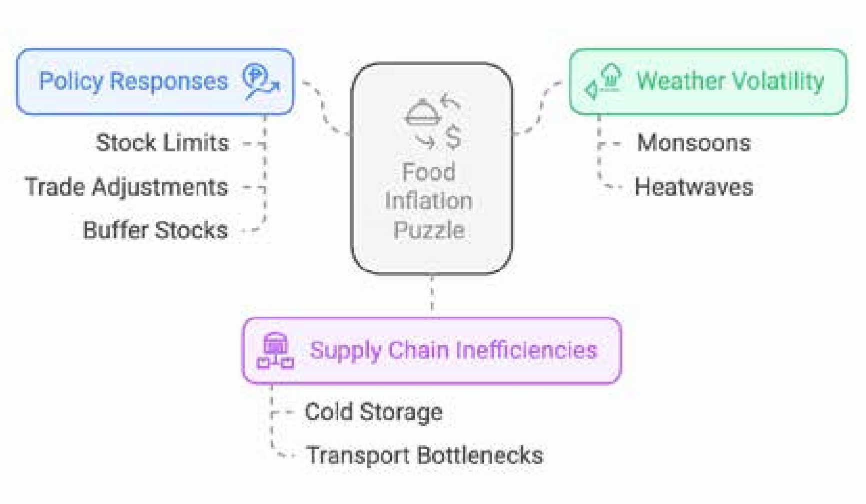
5.2 Policy Initiatives: MSP, PM-KISAN, Crop Insurance, e-NAM

1. **Minimum Support Price (MSP)**
    - The Survey notes MSP hikes for pulses and coarse cereals (59–77% in some cases), aiming to boost farmer incomes and encourage crop diversification. Critics argue that MSP distortions can lead to overproduction of certain crops, but the government defends it as a necessary safety net.
2. **PM-KISAN**
    - Provides direct income support to farmers. Over 11 crore beneficiaries have received installments, augmenting rural liquidity. Implementation challenges include beneficiary identification and duplication.
3. **PM Fasal Bima Yojana**
    - Crop insurance coverage expanded to 4 crore farmers, with 600 LMT hectares insured in FY24. The program aims to reduce the vulnerability to weather shocks, though premium payment delays persist in some states.
4. **e-NAM**
    - Over 1.78 crore farmers and 2.62 lakh traders are on the electronic National Agriculture Market platform (as of October 2024). While it promises better price discovery, actual on-ground adoption varies across markets and states.

5.3 The Food Inflation Puzzle: TOP (Tomatoes, Onions, Pulses)

Vegetables and pulses alone contribute about 32% of food inflation with just 8.4% weight in the CPI basket. The Survey explains:

- **Weather Volatility**: Unpredictable monsoons and heatwaves severely impact yields of perishable commodities like tomatoes.
- **Supply Chain Inefficiencies**: Inadequate cold storage and transport bottlenecks cause post-harvest losses.
- **Policy Response**: Stock limits, trade adjustments (import easing) for certain pulses, and building buffer stocks for onions. However, medium- to long-term solutions center on investing in climate-resilient varieties, better storage, and supply chain modernization.



5.4 Climate Vulnerability and Solutions for Resilient Farming

With an estimated **55%** of India's net sown area under irrigation, large swaths of farmland remain vulnerable to drought. Two-thirds of farmland face high to extreme drought risks.

- **Adaptive Crops**: Promoting millets, pulses, and other drought-resistant crops.
- **Precision Irrigation**: Micro-irrigation schemes like PMKSY (Pradhan Mantri Krishi Sinchayee Yojana).
- **Digital Monitoring**: Satellite-based yield estimation, real-time weather advisories, and drone-based pesticide management.
- **Crop Diversification**: Encouraging horticulture, livestock, and fisheries (184 LMT fish production) to mitigate crop-specific risks and bolster farmer incomes.

5.5 Fisheries, Livestock, and Emerging Agriculture Subsectors

Livestock and fisheries segments have emerged as high-growth drivers. The Survey indicates:

- **Fisheries**: 184 LMT production, with an export orientation that can bring in foreign exchange.
- **Livestock**: CAGR of 12.99%, surpassing that of cereals. Dairy forms a critical subset, with India being the world's largest milk producer.

These subsectors stabilize rural incomes and diversify the agri-basket. The expansion of allied sectors helps reduce the cyclical nature of crop incomes and fosters overall rural development.

6. SECTORAL ANALYSIS II: MANUFACTURING

6.1 India's Global Manufacturing Share and Ambitions

India's global manufacturing share is **2.8%**, significantly trailing China at 28.8%. Nonetheless, the Survey and government policy documents consistently articulate the ambition to position India as a global manufacturing hub.

Key growth drivers:

- **Demographics**: A young workforce that can be trained in modern manufacturing.
- **Policy Incentives**: Production Linked Incentive (PLI) schemes, special economic zones (SEZs), and industrial corridors.
- **Digital Infrastructure**: Fast-growing digital economy, e-commerce, and startup ecosystem that can interface with manufacturing for supply chain and Industry 4.0 solutions.

6.2 Production Linked Incentive (PLI) Schemes Impact & Outlook

The PLI scheme covers sectors like electronics, pharmaceuticals, medical devices, automotive components, and more. Key takeaways:

- **Electronics**: Mobile phone production soared, with domestic manufacturing covering 99% of smartphone requirements.
- **Pharmaceuticals**: The scheme aims to boost domestic API (Active Pharmaceutical Ingredient) production, reducing reliance on Chinese imports.
- **Automobiles**: Electric vehicles (EVs) and related components benefit from PLI, spurring an emerging EV ecosystem.

Yet, administrative hurdles, the need for large-scale investments, and ensuring scheme continuity remain concerns. The Survey suggests evaluating PLI performance on job creation, exports, and supply-chain localization.

6.3 MSMEs as the Backbone of Industry

MSMEs account for over 45% of manufacturing output and form a key focus area:

- **Udyam Registration**: 2.39 crore small businesses formalized, though actual MSME count is likely higher.
- **Credit Constraints**: Banks and NBFCs face difficulties in evaluating MSME credit risk, especially for first-time borrowers. Digital lending, while promising, must be regulated to avoid predatory practices.
- **MSME Reforms**: The government launched the *Self-Reliant India Fund* to provide growth capital, complementing existing credit guarantee schemes.

6.4 Issues of Innovation, R&D, and Technological Upgrading

Innovation remains a bottleneck:

- **Low R&D Spend**: At **0.64%** of GDP, India's R&D outlay significantly trails major economies. Even though absolute R&D spending has doubled in the last decade, private sector involvement is modest.
- **IPR and Patent Filings**: Improved rank in WIPO indices, with resident filings now over half the total. However, patent enforcement lags.
- **Industry 4.0**: Adoption of IoT, AI, and robotics in manufacturing is patchy, concentrated in large corporates. SME clusters often lack resources and expertise.

6.5 Sectoral Case Studies: Steel, Cement, Electronics, Pharmaceuticals

1. **Steel**: Production grew by 3.3% (Apr–Nov FY25). Policies like anti-dumping duties and PLI for specialty steel segments aim to enhance value-added steel exports.
2. **Cement**: An essential building block of infrastructure, benefiting from large-scale construction of roads, highways, and housing. Energy efficiency remains a focus.
3. **Electronics**: A poster child for PLI success smartphones and related hardware manufacturing soared, creating local assembly ecosystems.
4. **Pharmaceuticals**: "Pharmacy of the World" aspiration. While India has strong generic drug manufacturing, the next step is to reduce API imports and invest in novel drug discovery.

7. SECTORAL ANALYSIS III: SERVICES

7.1 Services as Growth Engine: Trends and Contributions

Services contribute **55%** to India's Gross Value Added in FY25, up from about 50.6% a decade ago. Key sub-sectors:

- **IT & ITeS**: A consistent foreign exchange earner.
- **Financial Services**: Banking, insurance, mutual funds, digital payments.
- **Hospitality & Tourism**: Recovering post-pandemic with improved occupancy and travel demand.
- **E-commerce & Retail**: Rapidly digitizing consumption patterns.

Services also employ over 30% of India's workforce, with a gradual shift from unorganized to organized segments.

7.2 IT and ITeS: The Global Export Powerhouse

India ranks 7th in global services exports, holding a 4.3% market share. The IT sector has been pivotal:

- **High CAGR**: ~12.8% annual growth (FY13–FY23).
- **Digital Services**: BFSI (Banking, Financial Services & Insurance) clients, cloud computing, AI, and cybersecurity.
- **Geographic Concentration**: IT hubs in Bengaluru, Hyderabad, Pune, Chennai, and NCR. Tier-2 cities are emerging fast.

Challenges remain in ensuring upskilling, dealing with global slowdown in IT spending, and managing potential job displacement from AI.

7.3 Tourism & Hospitality: Post-Pandemic Revival

Tourism contributed about 5% to GDP (FY23) and is on a rebound:

- **Domestic Tourism Boom**: Post-lockdown revenge travel, government campaigns (Dekho Apna Desh).
- **International Footfalls**: Improving but yet to reach pre-COVID levels. E-visa facilities and infrastructure (airports, roads) are key.
- **Potential**: India's cultural, spiritual, and medical tourism remains underexploited.

7.4 Financial Services & Fintech: Catalysts and Risks

1. **Banking**: With NPAs at 2.6%, renewed lending confidence emerges.
2. **Fintechs**: Digital payments, UPI volumes, BNPL (Buy Now Pay Later) models. Such innovations bring cost savings and financial inclusion but may raise concerns of unsustainable consumer debt.
3. **Insurance & Pension**: Growing penetration, though still significantly lower than global averages.

7.5 The Promise of "Servicification" in Manufacturing

Manufacturing increasingly relies on services design, logistics, maintenance, marketing to add value. As production processes become more automated, companies differentiate themselves through service-oriented innovations. This synergy underscores the importance of bridging skill gaps in both manufacturing and service capabilities.

8. INFRASTRUCTURE, INVESTMENT, AND LOGISTICS

8.1 National Infrastructure Pipeline & Institutional Framework

Launched with a vision of investing over US$1.4 trillion in infrastructure, the **National Infrastructure Pipeline (NIP)**covers 6,800+ projects spanning roads, railways, energy, and urban development. Convergence with Gati Shakti aims to unify efforts across ministries for integrated planning and execution.

- **NaBFID** (National Bank for Financing Infrastructure and Development): A newly-formed DFI focusing on long-gestation infrastructure financing.
- **IIFCL** (India Infrastructure Finance Company Limited): Continues bridging viability gaps.

8.2 Roads, Railways, Ports, and Aviation: Connectivity Status

1. **Roads**: NH construction reached 6,215 km in the last fiscal. Bharatmala Phase I aims to build ~83,677 km of highways.
2. **Railways**: 2,031 km of the network commissioned (Apr–Nov 2024), plus new Vande Bharat trains for high-speed connectivity. Dedicated Freight Corridors reduce logistics costs.
3. **Ports**: Under Sagarmala, capacity upgrades and modernization are ongoing. The new **Vadhavan Mega Port**project is set to handle large container ships.
4. **Aviation**: Regional Connectivity Scheme (UDAN) has 619 operational routes, benefiting regional airports.

8.3 Urban Infrastructure: Smart Cities, Housing, and Urban Transit

- **Smart Cities Mission**: Over 100 cities selected, focusing on digital governance, improved sanitation, and public transport. Implementation speeds vary.
- **Housing**: PM Awas Yojana (Urban) has sanctioned 1.18 crore houses. However, execution faces land availability and cost escalation challenges.
- **Metro Rails**: Expanding in multiple cities. The Survey acknowledges that mass rapid transit can reduce congestion and pollution, but requires large upfront capital.

8.4 Private Investment Revival and PPP Models

After a lull, private investment is picking up, especially in roads and renewables, aided by improved ease of doing business and stable policy frameworks. However:

- **Public-Private Partnerships (PPP)** remain challenging due to risk-sharing complexities, regulatory unpredictability, and slower dispute resolution.
- **FDI in Infrastructure**: Telecom, port handling, and logistics show promise for foreign investors seeking stable, long-term returns.

8.5 Logistics Policy: Reducing Costs and Improving Efficiency

Logistics costs in India (13–14% of GDP) are higher than global benchmarks (~8–9%). The **National Logistics Policy**aims to integrate supply chains, streamline warehousing, and promote multimodal transport. Achieving cost reductions here could significantly improve India's manufacturing competitiveness and export potential.

9. FINANCIAL SECTOR DEEP DIVE

9.1 Banking Sector Health: NPAs at a 12-year Low

The Survey highlights a remarkable improvement in banking health. Factors include:

- **IBC (Insolvency and Bankruptcy Code)** enabling faster resolution and recovery.
- **Stricter Underwriting**: Enhanced risk management frameworks post the 2018–19 NPA crisis.
- **Deleveraging**: Many corporates used the low-interest phase to repay high-cost debt.

9.2 Capital Markets Exuberance: IPOs, Mutual

Funds, and Retail Investors

1. **IPO Boom**: 2024 saw six times more IPOs than a decade ago, raising Rs. 1.53 lakh crore. Tech startups also found listing opportunities in the domestic market.
2. **Mutual Funds**: AUM crossed Rs. 66.9 lakh crore, with SIPs (Systematic Investment Plans) ensuring a steady flow.
3. **Retail Participation**: Millions of new Demat accounts opened. A beneficial sign of democratizing wealth creation, though experts worry about a lack of market sophistication.

9.3 Financial Inclusion: RBI's Index and Rural Penetration

The RBI's Financial Inclusion Index increased from **53.9 (2021) to 64.2 (2024)**, propelled by:

- **Jan Dhan Yojana**: Over 50 crore bank accounts opened.
- **Rural Penetration**: Regional Rural Banks (RRBs) and BC (Business Correspondent) networks bridging last-mile gaps.
- **Digital India**: UPI and mobile wallets are mainstreaming financial transactions in rural and semi-urban areas.

9.4 NBFCs, Digital Lending, and Systemic Risks

NBFCs have seen robust growth in personal loans, consumer credit, and MSME financing, often bridging the gap left by traditional banks. However:

- **Asset-Liability Mismatch**: Long-term lending financed by short-term borrowings can pose liquidity risks.
- **Digital Lending Apps**: Rapid expansion stirs concerns about higher interest rates, potential exploitation, and regulatory oversight.

9.5 The Intersection of Debt, Liquidity, and Market Vulnerabilities

The Survey cautions that if financial growth significantly outpaces real economic expansion, asset bubbles can form. A key point:

"Often, financial booms are associated with high-collateral, low-productivity projects."

Excessive flows into real estate or speculative equities can create unsustainable debt. The RBI's macroprudential measures capital adequacy norms, additional provisioning for riskier loans aim to mitigate systemic risks. Nonetheless, vigilance is paramount.

10. SOCIAL SECTOR PROGRESS

10.1 Health and Education Spending: Schemes and Outcomes

1. **Health**
   - Public health spending rose to Rs. 6.1 lakh crore, including Ayushman Bharat (AB PM-JAY) expansions.
   - Focus on preventive care and telemedicine, though healthcare access disparities persist between states.
2. **Education**
   - Budget allocation of Rs. 9.2 lakh crore, with emphasis on digital learning tools, skill development, and reducing dropout rates.
   - *National Education Policy (NEP) 2020* implementation is in progress, aiming to revamp curricula and assessment.

10.2 Poverty Alleviation and Inequality: Rural vs. Urban Context

- **Poverty Reduction**: Comprehensive data remain challenging, but targeted schemes like PMGKY have a notable impact on nutritional security.
- **Gini Coefficients**: The Survey claims rural inequality fell to 0.237 (from 0.266) and urban inequality to 0.284 (from 0.314), indicating a narrowing gap. Experts caution that ground-level validation is needed.

10.3 Skill Development and Higher Education Reforms

- **Skill India**: More alignment with industry demands, apprenticeship programs, and digital skill modules.
- **Higher Education**: Enrollments increased by 26.5% (2014–2022), yet quality concerns persist. The Survey calls for strengthening the research ecosystem, fostering collaboration between academia and industry.

10.4 Women's Participation, Workforce Trends, and Gender Gaps

- **Female LFPR** has risen impressively to 41.7% (from 23.3% in 2017–18), driven by rural employment and government push in skilling.
- **Social Barriers**: Cultural norms, child care responsibilities, and safety concerns still hamper urban women's workforce participation.
- **Policy Nudges**: Encouraging flexible work hours, remote work, and targeted upskilling programs can maintain momentum.

10.5 Welfare Programs: PDS, PMGKY, and Social Security Nets

- **PDS Reforms**: One-nation-one-ration card scheme is near-complete, easing migrant workers' access to subsidized food.
- **PMGKY**: Over 80 crore citizens receive free food grains. Although critics argue for more targeted approaches, the Survey recognizes its role in preventing a nutritional crisis during economic shocks.
- **Social Security**: EPFO expansions, PM-SVANidhi for street vendors, and direct benefit transfers keep strengthening the social safety net.

11. EMPLOYMENT, AI, AND THE FUTURE OF WORK

11.1 The Unemployment Rate and Labour Force Participation

The Survey states that India's unemployment rate fell from 6% (2017–18) to 3.2% (2023–24). Yet, the labor force participation rate (LFPR) stands at around 60.1%, with scope to improve:

- **Urban vs. Rural**: Urban pockets have higher formal employment but also more volatility in times of economic downturn.
- **Formal vs. Informal**: The push for formalization, via GST and digitization, has added millions of workers under social security covers.

11.2 Automation, AI, and the "Job Description"

Transformation

The Survey underscores that AI may eliminate certain tasks but typically transforms roles rather than replacing them outright. Historic examples like **ATMs** illustrate how technology changes the job profile of workers without necessarily reducing headcount.

However:

- **Skill Gaps**: 88% of the workforce is reportedly underemployed relative to their educational qualifications, implying a mismatch between degrees and job readiness.
- **Sectoral Variations**: Low-skilled roles in BPO or back-office jobs might see sharper automation impact compared to high-end analytics or consultancy roles.

11.3 The Skill Mismatch Challenge: Underemployment in India

The root of India's underemployment partly lies in **education quality**. Large numbers of graduates lack market-relevant skills, leading them to lower-wage or temporary gigs. Solutions:

1. **Industry Collaboration**: Curriculum co-designed by academia and employers.
2. **Vocational Training**: A robust apprenticeship ecosystem bridging classroom theory and practical skill application.
3. **Regional Focus**: Addressing disparities in skill centers across rural and urban areas.

11.4 Labour Market Reforms and Industry-Academia Collaboration

- **Labour Codes**: While new labor codes aim to unify and simplify compliance, states' slow adoption retards uniform labor reform benefits.
- **Academic Ties**: Encouraging more joint research and campus placements with corporate involvement ensures that institutions produce job-ready graduates.

11.5 Regulatory and Ethical Considerations Around AI

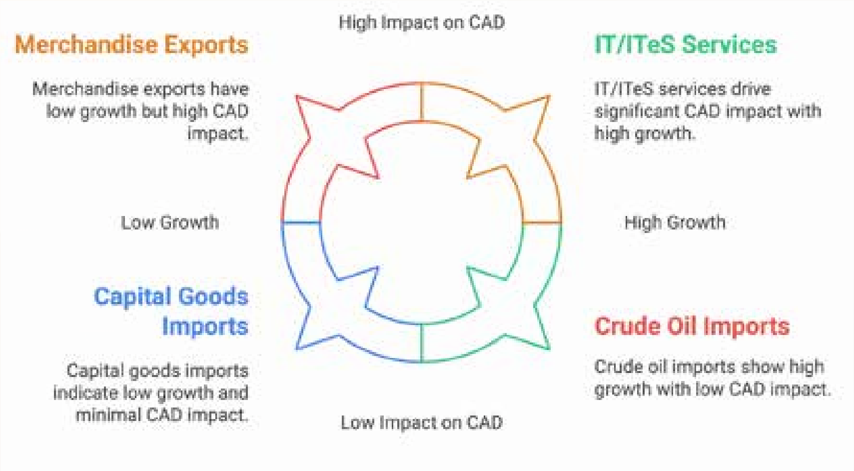
The Survey calls for "human-AI collaboration," stressing oversight:

- **Bias**: AI systems trained on skewed data sets risk perpetuating social or gender biases.
- **Privacy**: Widespread data usage in AI demands robust data protection laws.
- **Job Transition**: Government must facilitate the re-training and up-skilling of displaced workers.

12. EXTERNAL SECTOR AND GLOBAL LINKAGES

12.1 Exports, Imports, and the Current Account Deficit

1. **Exports**
   - **Merchandise**: Grew at 1.6% in FY25, reflecting slowing global demand. Engineering goods, pharmaceuticals, and electronics showed resilience.
   - **Services**: Up by 11.6%, particularly IT/ ITeS and consulting. Services offset the goods trade deficit significantly.
2. **Imports**
   - Expanded by 5.2%, driven by higher crude oil and commodity prices.
   - Capital goods imports rose, suggesting domestic investment activity.
3. **Current Account Deficit (CAD)**
   - At **1.2%** of GDP for FY25, contained by robust remittances. Nonetheless, any commodity price spikes or slowdown in service exports can widen the deficit.



12.2 Remittances: A Vital Source of Resilience

India remains the **top global recipient of remittances**, offering a cushion to the balance of payments. Migration patterns particularly in the Middle East are shifting, but the diaspora's strong attachment to Indian financial instruments (like NRE deposits) keeps remittance inflows robust.

12.3 Foreign Direct Investment (FDI) and Foreign Portfolio Investments (FPI)

- **FDI**: Grew 17.9% YoY, with technology, e-commerce, and telecom attracting significant inflows. China-plus-one strategies by global investors also benefit India, but the Survey warns that the repatriation of profits can offset net FDI gains.
- **FPI**: Volatile. The Survey notes global tightening in developed markets might trigger outflows. However, India's strong fundamentals have helped maintain a net positive stance in recent months.

12.4 Trade Policy, Geopolitics, and Supply Chain Shifts

- **Russia-Ukraine War**: Elevated energy prices, supply chain realignments, and global trade uncertainties.
- **Free Trade Agreements**: India's recent push includes deals with the UAE, Australia, and negotiations with the UK, EU, and Canada. The Survey advocates balanced trade pacts that protect domestic interests while unlocking new export opportunities.
- **Friend-shoring and Near-shoring**: As countries rethink global supply chains, India must position itself as a reliable alternative hub, especially for electronics and pharmaceuticals.

12.5 India's Bilateral and Multilateral Engagements

The Survey highlights India's G20 presidency outcomes: discussions on global health architecture, sustainable finance, and digitization. Bilateral engagements like the India-UAE CEPA offer glimpses into how trade diversification can reduce overreliance on single geographies.

13. CLIMATE, ENVIRONMENT,

AND SUSTAINABLE DEVELOPMENT

13.1 Climate Risks: Vulnerabilities and Adaptation Strategies

India ranks seventh in climate vulnerability, facing frequent floods, cyclones, and heatwaves. The *Economic Survey 2025*devotes an entire chapter to the synergy between climate adaptation and economic growth:

- **Agriculture**: Promoting climate-resilient seeds and micro-irrigation.
- **Urban Planning**: Mitigating heat islands through green building norms.
- **Disaster Management**: Strengthening early warning systems.

13.2 Renewable Energy Expansion and Energy Security

The Survey acknowledges a robust shift:

- **Renewables**: 46.8% of installed power capacity is non-fossil, inching toward the 50% target by 2030.
- **Solar**: Growth in rooftop installations (PM Surya Ghar) and large-scale solar parks.
- **Wind and Biomass**: Potential remains underexploited. Policy clarity on offshore wind can attract investors.

Challenges:

- **Storage Tech**: High battery costs hamper reliability for 24/7 supply.
- **Grid Balancing**: Integrating intermittent renewable power requires advanced forecasting and flexible grid infrastructure.

13.3 Urban Heat Islands and Vertical Gardens

Urban Heat Island Effect: Concrete-dominated cities trap heat, increasing temperatures by 2–6°C compared to surroundings. A promising solution:

- **Vertical Gardens**: Installing greenery on building facades can reduce thermal radiation, absorb pollutants, and enhance aesthetics.
- **Global Examples**: Singapore and Japan have integrated vertical greening to manage microclimates. The Survey recommends pilot programs in India's major metropolitan areas.

13.4 India's Climate Finance Needs and COP29 Outcomes

- **Funding Gap**: COP29 climate finance pledges fell short by 40%, hampering large-scale green initiatives in developing nations.
- **Sovereign Green Bonds**: India raised Rs. 20,000 crore in FY24 to fund renewable and energy-efficiency projects.
- **Private Capital**: Encouraging ESG investments, carbon credits, and green masala bonds.

13.5 Green Policies, Circular Economy, and Carbon Markets

1. **Policy Nudges**: Single-use plastic bans, extended producer responsibility for electronic waste.
2. **Circular Economy**: Emphasis on recycling, refurbishing, and waste reduction to minimize resource intensity.
3. **Carbon Markets**: The Survey suggests a robust domestic carbon trading platform to incentivize emission reductions.

14. POLICY IMPLICATIONS AND REFORMS

14.1 Deregulation vs. Overregulation: Striking a Balance

"Getting out of the way" emerges as a repeated phrase in the Survey, implying the government should focus on enabling rather than micro-managing economic agents. Key suggestions include:

- **Risk-Based Regulations**: Instead of universal compliance burdens, target high-risk activities.
- **Simplified Approval Processes**: Single-window clearances, time-bound approvals for setting up businesses.
- **Digital Governance**: Reducing bureaucratic friction through e-signatures, e-verification, and digital records.

14.2 The 'Getting Out of the Way' Philosophy

This is not synonymous with minimal governance. The Survey clarifies that the state must still ensure fair competition, consumer protection, and macroeconomic stability. The emphasis is on streamlining regulations to spur innovation, not dismantling them entirely.

14.3 Agricultural Reforms, Land Markets, and Contract Farming

India's aspiration for doubling farmer incomes hinges on:

- **Land Leasing and Consolidation**: Transparent, legally secure frameworks allow efficient land use and large-scale mechanization.
- **Contract Farming**: Encouraging corporates and FPOs (Farmer Producer Organizations) to invest in farm-level improvements.
- **Market Reforms**: Strengthening e-NAM, removing inter-state trade barriers for agricultural commodities.

14.4 R&D Incentives, Innovation Ecosystems, and Startups

To scale up from 0.64% R&D expenditure to levels exceeding 2% of GDP, the Survey proposes:

- **Tax Incentives**: Weighted deductions for R&D spending, especially for SMEs.
- **Public-Private Partnerships**: Co-funding research labs, encouraging university spinoffs.
- **Startup Ecosystem**: Bridging the "valley of death" from prototype to commercialization.

14.5 Fiscal Prudence vs. Welfare Expenditure: The Political Economy

An underlying tension is balancing large welfare outlays with fiscal discipline:

- **Targeted Subsidies**: Rationalizing freebies into carefully structured direct benefit transfers.
- **State-Level Debt**: Some states overshoot deficits, driven by populist measures. A more robust FRBM framework with incentive-based compliance might help.

15. CHALLENGES AND THE WAY FORWARD

15.1 Short-Term Risks: Inflation, Global Slowdown, and Geopolitics

Even if near-term inflation is relatively under control, spikes in commodity prices or persistent food inflation can derail consumption. Externally:

- **Russia-Ukraine War**: Continues to disrupt supply chains and energy prices.
- **Geopolitical Blocs**: Heightened trade tensions can limit market access for India's exporters.

15.2 Medium-Term Strategy: Achieving 8% Growth for Two Decades

To realize the *Viksit Bharat 2047* vision, the Survey suggests:

1. **Infrastructure Push**: Ongoing expansions in roads, railways, and digital connectivity.
2. **Skill Upgradation**: Preempting AI disruptions through extensive reskilling.
3. **Manufacturing Competitiveness**: Easing land acquisition, labor codes, and further sector-specific PLI expansions.

15.3 Long-Term Vision: Viksit Bharat 2047 and the Demographic Dividend

- **Demographics**: With a median age of ~28 years, India's workforce will remain young till ~2040. Effective harnessing requires quality education, health, and job creation.
- **Urbanization**: Over 40% of India's population likely to be urban by 2030. Planned urbanization is crucial to avoid slum expansions and resource depletion.
- **Technological Leap**: Investing in advanced materials, semiconductors, quantum computing, etc., can shape India's global competitiveness.

15.4 Coordinated Action: Centre–State Dynamics and Federalism

State-level actions significantly influence outcomes in agriculture, healthcare, and infrastructure. The Survey stresses *cooperative federalism*:

- **GST Council**: A testament to collaborative policymaking.
- **Capacity Building**: Empowering local bodies for efficient policy implementation.
- **Performance-Based Incentives**: Encouraging states to adopt best practices in water conservation, healthcare, and e-governance.

15.5 Inclusive, Resilient, and Sustainable Growth

Ultimately, the Survey aligns with the triple bottom line:

- **Inclusive**: Reaching the last mile, bridging wealth and gender gaps.
- **Resilient**: Building shock absorbers against financial, climatic, and pandemic-like crises.
- **Sustainable**: Reducing carbon footprints, preserving biodiversity, and ensuring responsible resource consumption.

16. CONCLUSION

16.1 Reflecting on Key Messages of the Survey

The *Economic Survey 2025* underscores that India's growth story remains robust but requires diligent nurturing. From robust macro fundamentals like stable inflation and improved bank credit to deep structural aspirations such as widespread skill upgrades and climate resilience the Survey offers both a diagnosis of current realities and a glimpse of tomorrow's opportunities.

16.2 Balancing Growth Aspirations with Stability

A recurring note is the tightrope walk between fueling rapid growth and managing downside risks. Whether it's controlling asset bubbles in equity markets, mitigating climate shocks in agriculture, or ensuring AI complements rather than displaces workers, India's policymakers face complex trade-offs.

16.3 Charting the Path Ahead: Lessons and Final Thoughts

"Getting out of the way" emerges as a powerful message. Regulatory overreach can stifle innovation and enterprise, especially at a time when India's youth are bursting with ideas. Yet, robust institutions must remain vigilant to protect consumers, maintain financial stability, and safeguard social welfare.

In essence, the Survey's vision is clear:

- Foster a business environment that allows entrepreneurs to innovate freely.
- Invest in skill-building to harness the demographic dividend.
- Fortify climate and environmental policies to ensure sustainable prosperity.
- Balance welfare and infrastructure spending to reduce inequality without jeopardizing fiscal prudence.

In doing so, India can confidently stride toward its 2047 ambitions emerging not only as a global economic powerhouse but also as a model of inclusive and sustainawble development.

17. REFERENCES AND ADDITIONAL READINGS

17.1 Official Data Sources and Government Publications

- *Economic Survey 2024-25*: Ministry of Finance, Government of India.
- Reserve Bank of India (RBI) Bulletins and Reports.
- National Statistical Office (NSO) Data (GDP, CPI, IIP, etc.).
- Ministry of Commerce: Export-Import Data Bank.
- Ministry of Agriculture & Farmers Welfare: Crop Estimation Surveys.
- NITI Aayog: Reports on SDGs, Aspirational Districts.
- GSTN Portal: Monthly GST Collection Reports.

17.2 Academic and Policy Papers

- World Bank: *Global Economic Prospects* (various editions).
- International Monetary Fund: *World Economic Outlook*.
- Asian Development Bank: *Asian Development Outlook*.
- Various research papers on financial inclusion, climate risk mitigation, and labor market transformations.

17.3 Global Economic Reports

- UNCTAD: *Trade and Development Report*.
- WIPO: *Global Innovation Index* and Patent Filings Data.
- World Economic Forum: *Global Competitiveness Report*.
- BloombergNEF Reports on energy transitions.

SUMMARY OF ECONOMIC SURVEY 2024-25

INDIA'S GDP EXPECTED TO GROW BETWEEN 6.3 & 6.8 PER CENT IN FY26

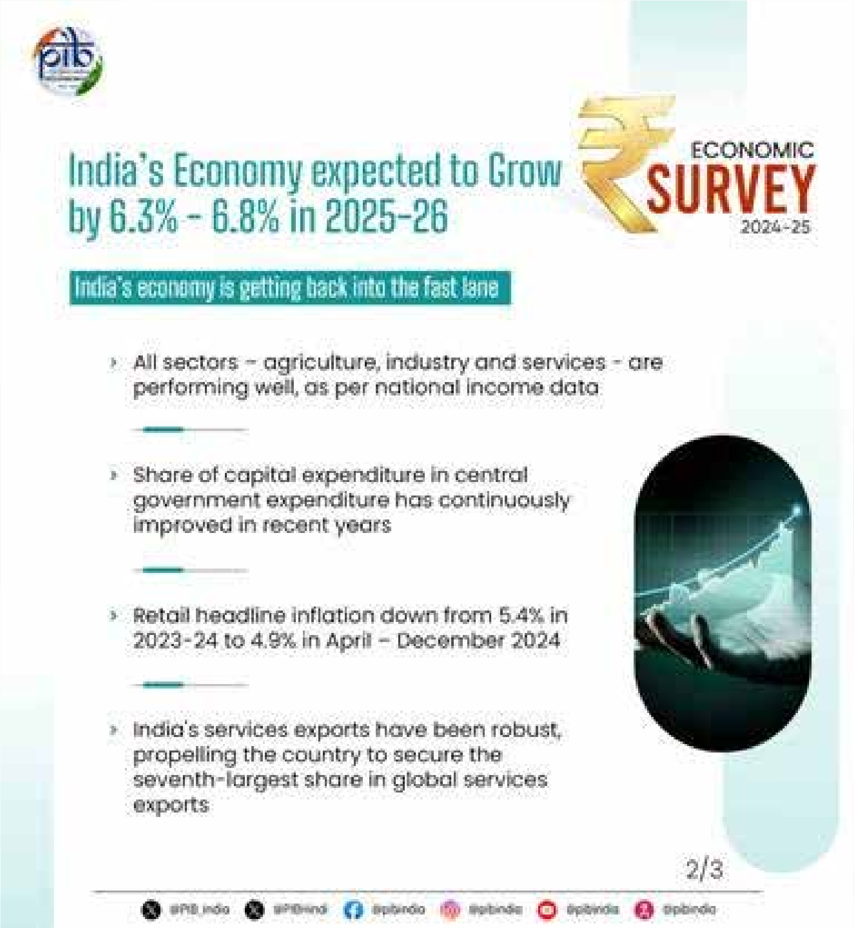
"The global economy grew by 3.3 per cent in 2023. The International Monetary Fund (IMF) projects global growth to average around 3.2 per cent over the next five years, which is modest by historical standards", says the Economic Survey 2024-25 tabled by Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman, in the Parliament today.

As per the Survey, the global economy exhibited steady yet uneven growth across regions in 2024. A notable trend was the slowdown in global manufacturing, especially in Europe and parts of Asia, due to supply chain disruptions and weak external demand. In contrast, the services sector performed better, supporting growth in many economies. Inflationary pressures eased in most economies. However, services inflation has remained persistent, notes the Survey.

The Survey highlights that, despite global uncertainty, India has displayed steady economic growth. India's real GDP growth of 6.4 per cent in FY25 remains close to the decadal average.

From an aggregate demand perspective, private final consumption expenditure at constant prices is estimated to grow by 7.3 per cent, driven by a rebound in rural demand.

On the supply side, the real gross value added (GVA) is estimated to grow by 6.4 per cent. The agriculture sector is expected to rebound to a growth of 3.8 per cent in FY25. The industrial sector is estimated to grow by 6.2 per cent in FY25. Strong growth rates in construction activities and electricity, gas, water supply and other utility services are expected to support industrial expansion. Growth in the services sector is expected to remain robust at 7.2 per cent, driven by healthy activity in financial, real estate, professional services, public administration, defence, and other services.



Keeping in mind the upsides and downsides to growth, the Survey expects the real GDP growth in FY26 to be between 6.3 and 6.8 per cent.

The Chapter on the Medium-Term Outlook elaborates on the global factors and the importance of strengthening the levers of domestic growth in the context of heightened risks due to global concerns about economic policies and trade policy uncertainties.

To realize the aspirations of Viksit Bharat by 2047, it is important that the medium-term growth outlook of India be assessed in the context of emerging global realities of Geo-Economic Fragmentation (GEF), Chinese manufacturing prowess, and global dependency on China for energy transition efforts. The Survey puts forth a way forward to reinvigorate the internal engines and domestic levers of growth by focusing on one central element of systemic deregulation, which will enable a paradigm of economic freedom to businesses of individuals and organizations to pursue legitimate economic activity with ease. The Survey stresses that the reforms and economic policy must now be on systematic deregulation under Ease of Doing Business 2.0 so that it encourages creation of a viable *Mittelstand*, i.e. India's SME sector.

The Economic Survey 2024-25 notes that agriculture growth remained steady in first half of FY25, with Q2 recording a growth rate of 3.5 per cent, marking an improvement over the previous four quarters. Healthy Kharif production, above-normal monsoons, and an adequate reservoir level supported agricultural growth. The total Kharif food grain production is estimated at a record 1647.05 lakh metric tonnes (LMT) in 2024-25, higher by 5.7 per cent compared to 2023-24 and 8.2 per cent higher than the average food grain production in the past five years.

The industrial sector grew by 6 per cent in first half of FY25, and is estimated to grow by 6.2 per cent in FY25. Q1 saw a strong growth of 8.3 per cent, but growth moderated in Q2 due to three key factors. First, manufacturing exports slowed significantly due to weak demand from destination countries, and aggressive trade and industrial policies in major trading nations. Second, the above average monsoon had mixed effects - while it replenished reservoirs and supported agriculture, it also disrupted sectors like mining, construction, and, to some extent, manufacturing. Third, the variation in the timing of festivities between September and October in the previous and current years led to a modest growth slowdown in Q2 FY25.

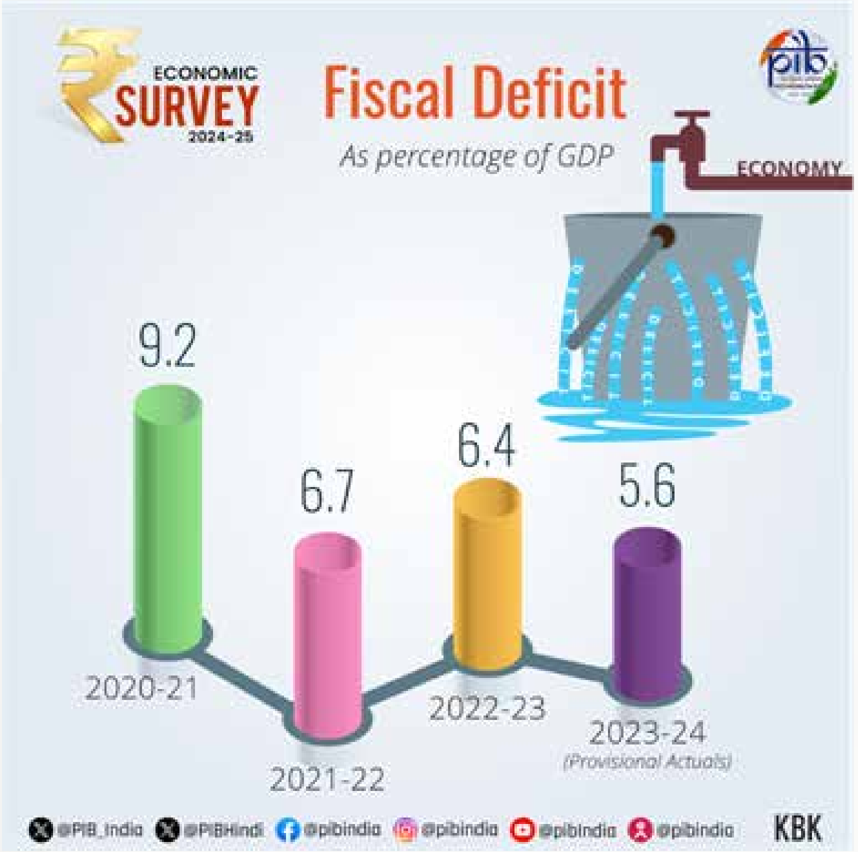
Despite various challenges, India continues to register the fastest growth in manufacturing PMI, stated the Survey. The latest Manufacturing PMI for December 2024 remained well within the expansionary zone, driven by new business gains, robust demand, and advertising efforts.

The services sector continues to perform well in FY25, emphasizes the Survey. A notable growth in Q1 and Q2 resulted in 7.1 per cent growth in first half of FY25. Across sub-categories, all the sub-sectors have performed well. India's services export growth surged to 12.8 per cent during April–November FY25, up from 5.7 per cent in FY24.

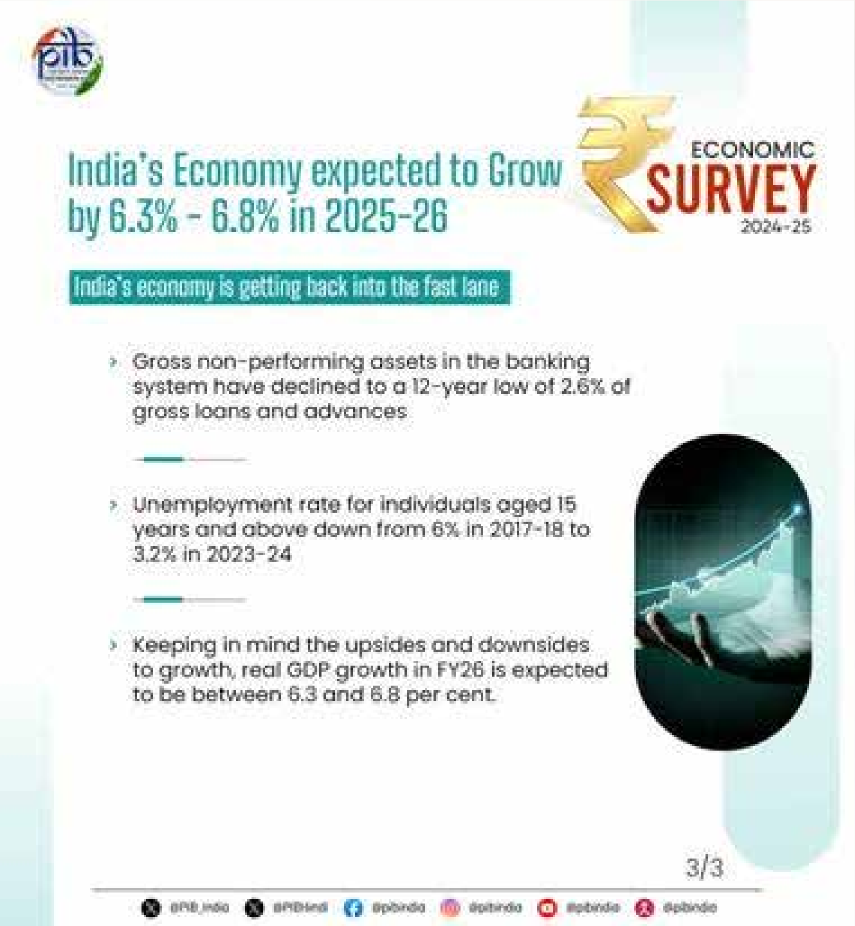
The Economic Survey states that growth process has been ably supported by stability on fronts such as inflation, fiscal health, and external sector balance. On inflation, the Survey states that retail headline inflation has softened from 5.4 per cent in FY24 to 4.9 per cent in April – December 2024. Food inflation, measured by the Consumer Food Price Index (CFPI), has increased from 7.5 per cent in FY24 to 8.4 per cent in FY25 (April-December), primarily driven by a few food items such as vegetables and pulses. India's consumer price inflation will gradually align with the target of around 4 per cent in FY26 as per RBI and IMF.

Capital expenditure (capex), as a per cent of the total expenditure of the union, has continuously improved from FY21 to FY24. After the general elections, union government capex has grown by 8.2 per cent during July – November 2024 YoY, the Survey says.

Despite the gross tax revenue (GTR) increasing by 10.7 per cent YoY during April-November 2024, the tax revenue retained by the Union, net of devolution to the states, hardly increased, says the Survey. As of November, the deficit indicators of the union were comfortably placed, leaving ample room for developmental and capital expenditure in the rest of the year.



According to the Survey, the GTR of the union and own tax revenue (OTR) of the states have increased at comparable pace during the period April - November 2024. The revenue expenditure of the states grew at 12 per cent (YoY) during April to November 2024, with subsidies and committed liabilities registering a growth of 25.7 per cent and 10.4 per cent, respectively.



The Survey observes that stability in the banking sector is underscored by declining asset impairments, robust capital buffers, and strong operational performance. The gross non-performing assets (NPAs) in the banking system have declined to a 12-year low of 2.6 per cent of gross loans and advances. The capital-to-risk-weighted assets ratio (CRAR) for Schedule Commercial Banks stands at 16.7 per cent as of September 2024, well above the norm, says the Survey.

Emphasizing that the external sector stability is safeguarded by services trade and record remittances, the Economic Survey quotes that India's merchandise exports grew by 1.6 per cent YoY in April – December 2024. Merchandise imports rose by 5.2 per cent. India's robust services exports have propelled the country to secure the seventh-largest share in global services exports, underscoring its competitiveness.

In addition to the services trade surplus, remittances from abroad led to a healthy net inflow of private transfers. India was the top recipient of remittances in the world, driven by an uptick in job creation in OECD economies. These two factors combined to ensure that India's current account deficit (CAD) remains relatively contained at 1.2 per cent of GDP in Q2 FY25, as per the Survey.

Gross Foreign Direct Investment inflows recorded a revival in FY25, increasing from USD 47.2 billion in the first eight months of FY24 to USD 55.6 billion in the same period of FY25, a YoY growth of 17.9 per cent, says the Survey. Foreign portfolio investment (FPI) flows have been volatile in the second half of 2024, primarily on account of global geopolitical and monetary policy developments.

The Economic Survey states that as a result of stable capital flows, India's foreign exchange reserves increased from USD 616.7 billion at the end of January 2024 to USD 704.9 billion in September 2024 before moderating to USD 634.6 billion as on 3 January 2025. India's forex reserves are sufficient to cover 90 per cent of external debt and provide an import cover of more than ten months, thereby safeguarding against external vulnerabilities.

The Economic Survey highlights continued good performance on the employment front. It states that India's labour market growth in recent years has been supported by post-pandemic recovery and increased formalisation. The unemployment rate for individuals aged 15 years and above has steadily declined from 6 per cent in 2017-18 to 3.2 per cent in 2023-24. The labour force participation rate (LFPR) and the worker-to-population ratio (WPR) have also increased.

The Survey also mentions that for India, a services-driven economy with a youthful and adaptable workforce, the adoption of AI offers the potential to support economic growth and improve labour market outcomes. Prioritising education and skill development will be crucial to equipping workers with the competencies needed to thrive in an AI-augmented landscape. The Survey brings out the fact that there are at present barriers to large-scale AI adoption, leading to a window for policymakers to act. The Economic Survey calls upon for collaborative effort between government, private sector, and academia to minimise the adverse societal effects of AI-driven transformation in the labour sector.

On infrastructure front, the Economic Survey highlights the need for continued step-up of infrastructure investment over next two decades to sustain a high growth. Under railway connectivity, 2031 km of railway network was commissioned between April and November, 2024, and 17 new pairs of Vande Bharat trains were introduced between April and October 2024. Port capacity improved significantly in FY25, leading to improvements in operational efficiency and reduction in average container turnaround time in major ports from 48.1 hours in FY24 to 30.4 hours during FY25 (Apr-Nov).

The Economic Survey underscores the government of India's efforts to boost renewable energy in the country and green investments through schemes, policies, financial incentives and regulatory measures such as PM - Surya Ghar: Muft Bijli Yojana, National Bioenergy Programme, National Green Hydrogen Mission and PM-KUSUM. The capacity addition in solar and wind power has lead to a 15.8 per cent year-on-year increase in renewable energy capacity by December 2024.

The Government social services expenditure has witnessed an increase of compounded annual growth rate of 15% (combined for centre and states) from FY 21 to FY 25. The Gini coefficient, which is a measure of inequality in consumption expenditure, has been declining in recent years (For rural areas it declined to 0.237 in 2023-24 from 0.266 in 2022-23 and for urban areas, it fell to 0.284 in 2023-24 from 0.314 in 2022-23), reflecting positive impact of Government's initiatives in reshaping income distribution. On the school education front, the government is working toward meeting the objectives of National Education Policy 2020 through a range of programmes and schemes. These interalia include the Samagra Shiksha Abhiyan, DIKSHA, STARS, PARAKH, PM SHRI, ULLAS, PM POSHAN, etc, as per the Survey.

In the total health expenditure of the country between FY15 and FY22, the Survey quotes the share of government health expenditure has increased from 29.0 per cent to 48.0 per cent. During the same period, the share of out-of-pocket expenditure in total health expenditure declined from 62.6 per cent to 39.4 per cent.

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant sector of the Indian economy, noted the Survey. To provide equity funding to MSMEs with the potential to scale up, the government launched the Self-Reliant India Fund with a corpus of □50,000 crore.

The Survey, says that reducing excessive regulatory burdens, governments can help businesses become more efficient, reduce costs, and unlock new growth opportunities. Regulations increase the cost of all operational decisions in firms, the Economic Survey adds. It has outlined a three-step process for states to systematically review regulations for their cost-effectiveness. The steps include identifying areas for deregulation, thoughtfully comparing the regulations with other states and countries and estimating the cost of each of these regulations on individual enterprises. The Survey highlights that Ease of Doing Business (EoDB) 2.0 should be a state government-led initiative focused on fixing the root causes behind the unease of doing business. It mentions that in the next phase for EoDB, states must break new ground on liberalizing standards and controls, setting legal safeguards for enforcement, reducing tariffs and fees, and applying risk-based regulation.

As the Survey underscores, looking ahead, India's economic prospects for FY26 are balanced. Headwinds to growth include elevated geopolitical and trade uncertainties and possible commodity price shocks. Domestically, the translation of order books of private capital goods sector into sustained investment pick-up, improvements in consumer confidence, and corporate wage pick-up will be key to promoting growth. Rural demand backed by a rebound in agricultural production, an anticipated easing of food inflation and a stable macro-economic environment provides an upside to near-term growth. Overall, India will need to improve its global competitiveness through grassroots-level structural reforms and deregulation to reinforce its medium-term growth potential.

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ECONOMIC SURVEY 2024-25 CALLS FOR ENHANCED DEREGULATION FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

"The faster economic growth that India needs is only possible if the union and state governments continue to implement reforms that allow small and medium enterprises to operate efficiently and compete cost-effectively", says the Economic Survey 2024-25 tabled in Parliament today. The Survey, tabled by Union Minister of Finance and Corporate Affairs Smt. Nirmala Sitharaman says that by reducing excessive regulatory burdens, governments can help businesses become more efficient, reduce costs, and unlock new growth opportunities. Regulations increase the cost of all operational decisions in firms, the Economic Survey adds.

Recognising that the government has implemented several policies and initiatives over the last decade to support and promote the growth of MSMEs, the Survey says some challenges in the regulatory environment remain. It says regulatory compliance burden holds back formalisation and labour productivity, limits employment growth, chokes innovation and depresses growth.

The Survey observes tendency for firms in India to remain small and the logic for it often is to remain under the regulatory radar and steer clear of the rules and labour and safety laws. It says that the biggest casualties of this are employment generation and labour welfare, which most regulations were originally designed to encourage and protect, respectively.

The survey adds that the Union Government has undertaken deregulation by implementing process and governance reforms, simplifying taxation laws, rationalising labour regulations, and decriminalising business laws. "On their part, states have also participated in deregulation by reducing compliance burdens and simplifying and digitising processes", says the Survey. The assessment of states as per the Business Reform Action Plan (BRAP) formulated by DPIIT shows that deregulation helps spur industrialization.

Stating that such efforts have laid the foundation for states to embark on the next round of reforms now, the Economic Survey 2024-25 has outlined a three-step process for states to systematically review regulations for their cost-effectiveness. The steps include i**dentifying areas for deregulation, thoughtfully comparing the regulations with other states and countries and estimating the cost of each of these regulations on individual enterprises.**

The survey highlights that Ease of Doing Business (EoDB) 2.0 should be a state government-led initiative focused on fixing the root causes behind the unease of doing business. It mentions that in the next phase for EoDB, states must break new ground on liberalising standards and controls, setting legal safeguards for enforcement, reducing tariffs and fees, and applying risk-based regulation.

Citing examples from other countries, the survey mentions, "The need to find growth avenues in an export-challenged, environment challenged, energy-challenged, and emissions-challenged world means we need to act on deregulation with a greater sense of urgency. Without deregulation, other policy initiatives will not deliver on their desired goals. By empowering small businesses, enhancing economic freedom, and ensuring a level playing field, governments can help create an environment where growth and innovation are not only possible but inevitable. India's growth aspirations require nothing less."

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BY LEVERAGING ITS YOUNG, DYNAMIC, AND TECH-SAVVY POPULATION, INDIA HAS THE POTENTIAL TO CREATE A WORKFORCE THAT CAN UTILISE AI TO AUGMENT THEIR WORK AND PRODUCTIVITY - ECONOMIC SURVEY 2024-25

Artificial Intelligence (AI) promises to usher in a new age, one where a bulk of the economically valuable work is automated across various fields, but at the same time it can result in large scale labour displacement, especially at the middle-and lower-quartiles of the wage distribution, states the Economic Survey 2024-2025 tabled by the Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman in the Parliament today.

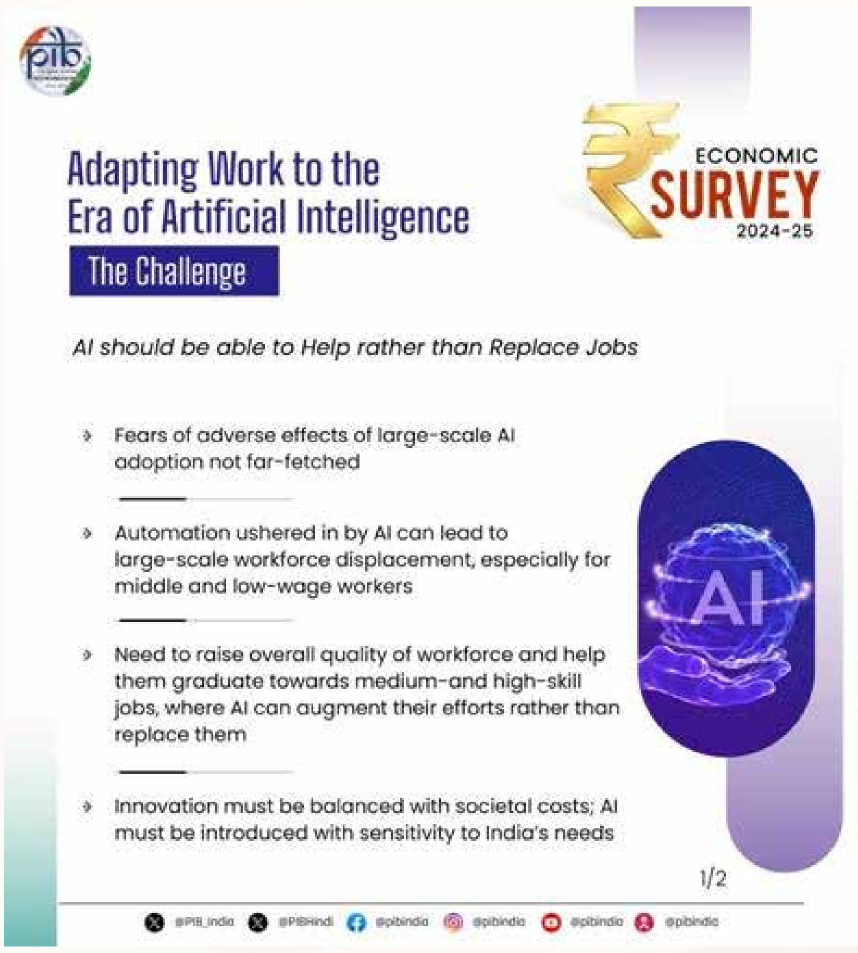
Risks and opportunities for India in adoption of AI

The Economic Survey 2024-25 states that as illustrated by Andrew Haldane, the former Chief Economist of the Bank of England, previous industrial and technological revolutions have been painful, characterized by widespread economic hardships, protracted unemployment for those displaced and widening income inequalities.

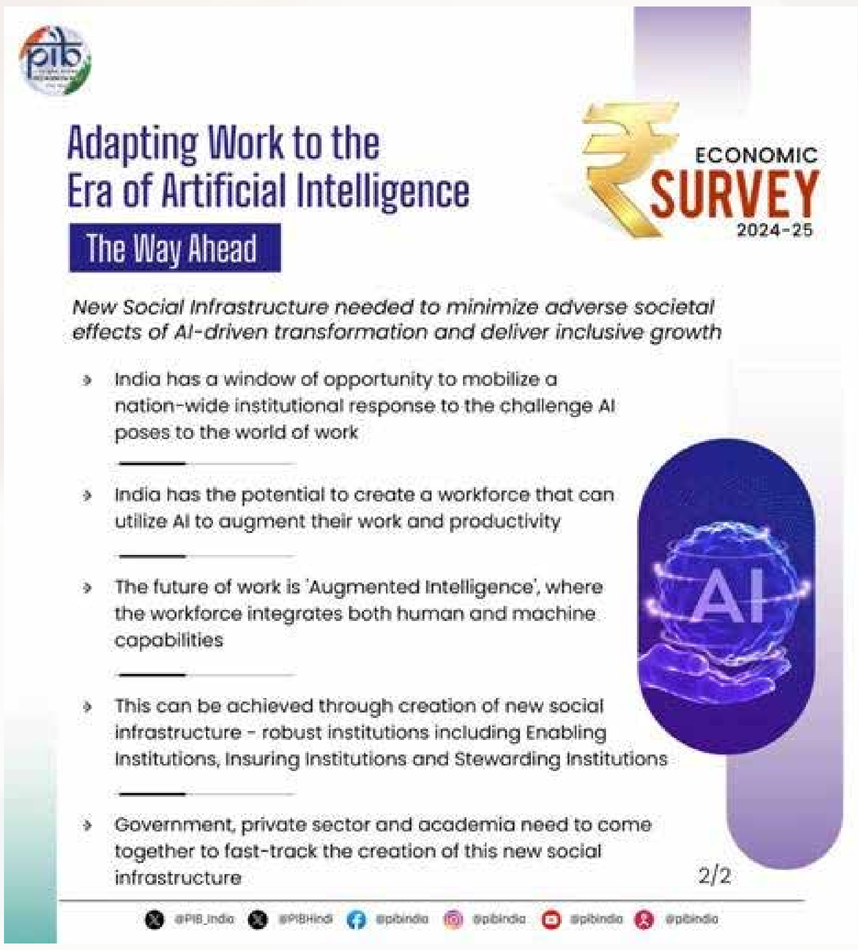
In this light, the Economic Survey notes, as policymakers, the possibility of such an outcome materialising in connection with automation must be taken very seriously, especially for a country like India. India's economy is predominantly service-oriented, with a large portion of its IT workforce engaged in low-value-added services. These roles are particularly vulnerable to automation, as companies may replace labor with technology to reduce costs.

Necessary measures to leverage AI wave in India

Economic Survey 2024-25 highlights that to minimise the negative impacts of creative destruction a collective societal effort is required, involving the creation of new social infrastructure to promote environments where innovation leads to inclusive growth. It further adds that India will therefore have to fast track the creation of robust institutions through a **tripartite compact between the government, private sector and academia**.



Among the measures to leverage AI, Economic Survey underlines essentiality of **Social Infrastructure encompassing Enabling Institutions, Insuring Institutions and Stewarding Institutions** to help graduate our workforce towards medium- and high-skill jobs, where AI can augment their efforts rather than replace them. But building these institutions as it is a time-consuming process due to need of mobilization of massive amount of intellectual and financial resources towards a singular goal.



The Economic Survey notes there are certain challenges that need to be overcome by AI developers before wide-spread adoption can be achieved. Among those, firstly, **Practicality and reliability** are core issues that need to be addressed by developers. Secondly, AI also needs **significant infrastructure for scaling**, which takes time to build. And lastly, AI models have to target **efficiency gains without compromising on performance**.

The Economic Survey 2023-24 distinguishes that India's employment challenge is not just one of numbers, but also one of raising the overall quality of its workforce. It observes that labour and technology, when balanced in the right way, can complement one another. As history also shows us, through careful integration and institutional support, automation brought along with it a rise in the employment-to-population ratio over the 20th century. In this context, the future of work revolves around **'Augmented Intelligence'**, where the workforce integrates both human and machine capabilities. This approach aims to enhance human potential and improve overall efficiency in job performance, ultimately benefiting society as a whole. In this light, by leveraging its young, dynamic, and tech-savvy population, India has the potential to create a workforce that can utilise AI to augment their work and productivity.

Considering above, the Economic Survey suggests that the policymakers must balance innovation with societal costs, as AI driven shifts in the labour market could have lasting effects. Similarly, the corporate sector also must act responsibly, handling the introduction of AI with sensitivity to India's needs, Economic Survey adds. It acknowledges that due to AI presently being in its infancy, India is afforded the time necessary to address these challenges, strengthen its foundations and mobilise a nation-wide institutional response. For that, it concludes that a collaborative effort between government, private sector, and academia is essential.

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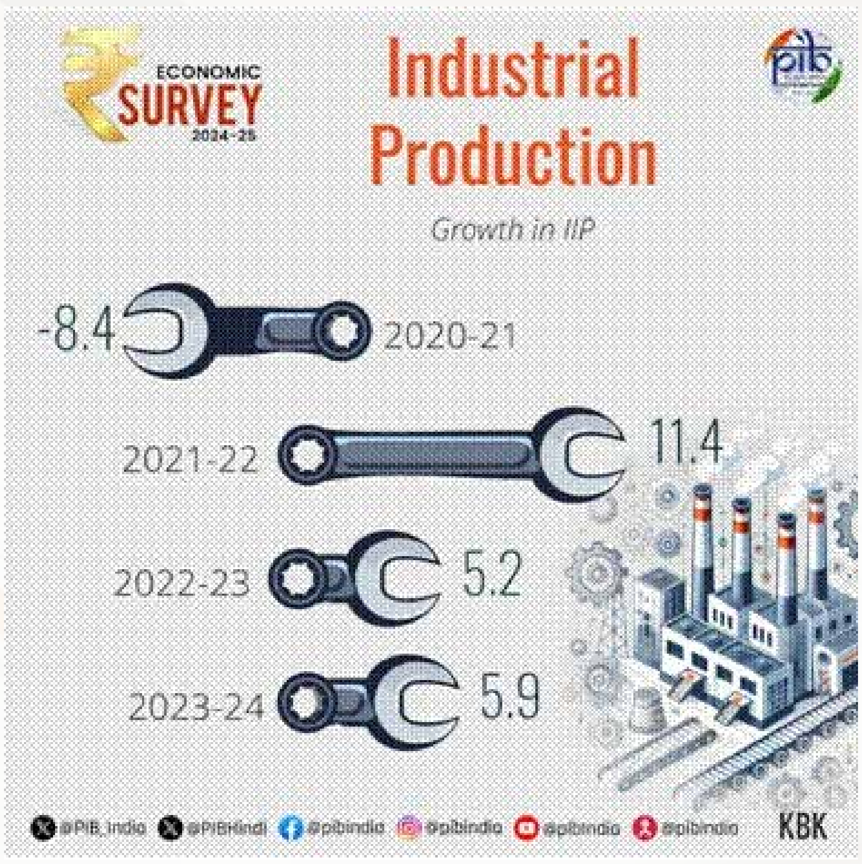
INDUSTRY: ALL ABOUT BUSINESS REFORM

The industrial sector expected to grow by 6.2 per cent in FY-25 as per the first advance estimates of GDP, driven by robust growth in electricity and construction, says the Economic Survey 2024-25 tabled in Parliament by Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman today. Fostering R&D investments, innovations, enhancing the growth and formalisation of smaller manufacturers will drive growth across various sectors, the Survey adds.



The survey also states that consumer-focused sectors like automobiles, electronics, and pharmaceuticals have emerged as growth drivers. The Economic Survey optimistically observes that with 2.8 per cent of the global share in manufacturing and with increasing shift of manufacturing production towards emerging economies like India and China; India stands a good chance of benefiting from trends in global industrial diversification.

CORE INPUT INDUSTRIES

1. **Cement**

The Survey mentions that India is the second largest cement producer in the world after China. The government's focus on mega projects like highways, railways, and housing schemes, coupled with rural development and industrial growth, is expected to fuel significant cement demand, the survey adds.

2. **Steel Industry**

The Survey observes that in April-November of FY25, the country's crude steel and finished steel production registered a growth of 3.3 per cent and 4.6 per cent. The sustained growth in steel sector was fuelled by ongoing development projects and increased public infrastructure spending. The economic survey further adds, Government initiatives on housing, urban and rural infrastructure contributed to the rising demand.

3. **Capital Goods**

The government has been actively promoting Smart Manufacturing and Industry 4.0, supporting the establishment of Smart Advanced Manufacturing and Rapid Transformation Hub (SAMARTH) Udyog centres.

4. **Automobile Industry**

In FY24, the industry recorded auto mobile domestic sales growth of 12.5 per cent. Recognising the sector's potential, the government has extended the PLI Scheme by one year.

5. **Electronics Industry**

The Economic Survey notes that the domestic production of electronic goods has increased substantially from ₹1.90 lakh crore in FY15 to ₹9.52 lakh crore in FY24, growing at a CAGR of 17.5 per cent. It observes, programmes such as Make in India and Digital India, along with improved infrastructure, ease of doing business, and various incentives, have boosted domestic manufacturing and drawn foreign investments.

6. **Textiles**

The Survey says that textile industry is a major employment generator and it accounts for about 11 per cent of India's manufacturing GVA. India is a leading producer of jute and ranks second globally in cotton, silk, and man-made fibre production, the survey adds.

7. **Pharmaceuticals**

The Survey highlights, Indian pharmaceutical industry is the world's third-largest by volume. The industry boasts of a diverse product portfolio encompassing generic drugs, bulk drugs, over-the-counter medications, vaccines, biosimilars, and biologics, establishing a strong global presence. The Survey further states that the total annual turnover of pharmaceuticals in FY24 was ₹4.17 lakh crore, growing at an average rate of 10.1 per cent in the last five years. Furthermore, the Survey mentions that the medical devices industry in India is experiencing rapid growth, with a CAGR of approximately 15 per cent.

FLOURISHING INNOVATIONS AMIDST ASPIRATIONS OF ENHANCED R&D

The economic survey notes, India has a robust intellectual property ecosystem. As per the WIPO Report 2022, India ranks sixth among the top 10 patent filing offices globally. The Survey mentions that since the National IPR Policy 2016, amendments to rules governing patents, designs, copyrights, and trademarks have streamlined application processes and reduced compliance. The Patent (Amendment) Rules 2024 has further simplified patent processing, filing and maintenance, the survey adds.

The Economic Survey optimistically emphasizes that synchronised efforts of all tiers of governments, the private sector, the skilling eco-system, academia and R&D institutions, as well, and financial stakeholders to enable India realise its ambition as a manufacturing powerhouse.

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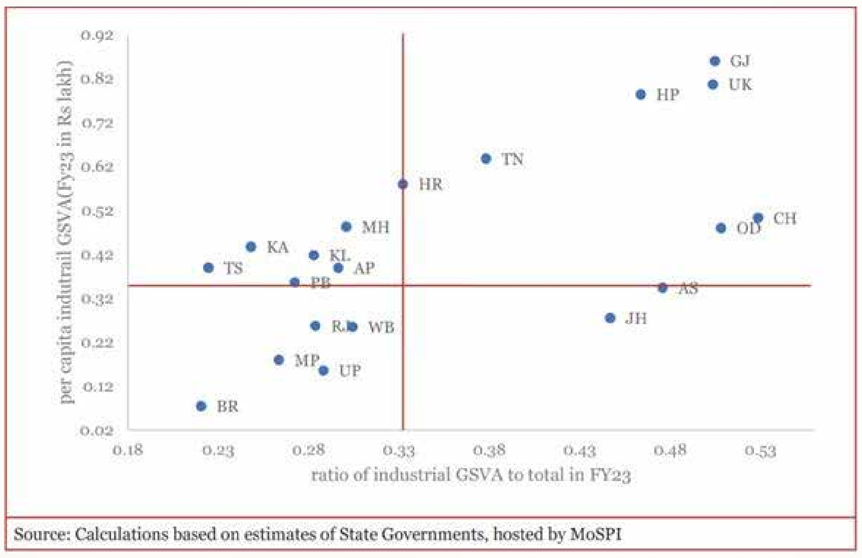
DEGREE OF INDUSTRIALIZATION VARIES ACROSS STATES; SOME STATES BETTER POSITIONED TO LEVERAGE THEIR INDUSTRIAL SECTORS TO GENERATE HIGHER INCOME LEVELS FOR THEIR POPULATIONS: ECONOMIC SURVEY 2024-25

The degree of industrialization varies across states, with some being better positioned to leverage their industrial sectors to generate higher income levels for their populations, says the Economic Survey 2024-25 tabled in Parliament by Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman today. The Survey mentions that there are clear patterns in the degree of industrialisation with few States like Gujarat, Uttarakhand and Himachal Pradesh are able to cash on their high level of dependence on industrial sector to generate reasonable levels of incomes for their people.

The Survey specifies that four states—the western states of Gujarat and Maharashtra and the southern states of Karnataka and Tamil Nadu— account for about 43 per cent of the total industrial GSVA. In contrast, the Survey mentions, six states of the Northeast (excluding Sikkim and Assam), account for only 0.7 per cent of the industrial GVA. There is a need for focus on industrial strategies appropriate to unique geographies like the North East, the Survey adds.

Figure 1: Vast inter-State differences in the levels of industrialization



The Survey also points that construction activity, closely linked with infrastructure development, urbanization and real estate trends, also shows inter-state differences. In this context, the Survey indicates, Kerala is comparatively less industrial than many other States but it is a positive outlier in construction activity, with construction contributing about half of its industrial GVA.

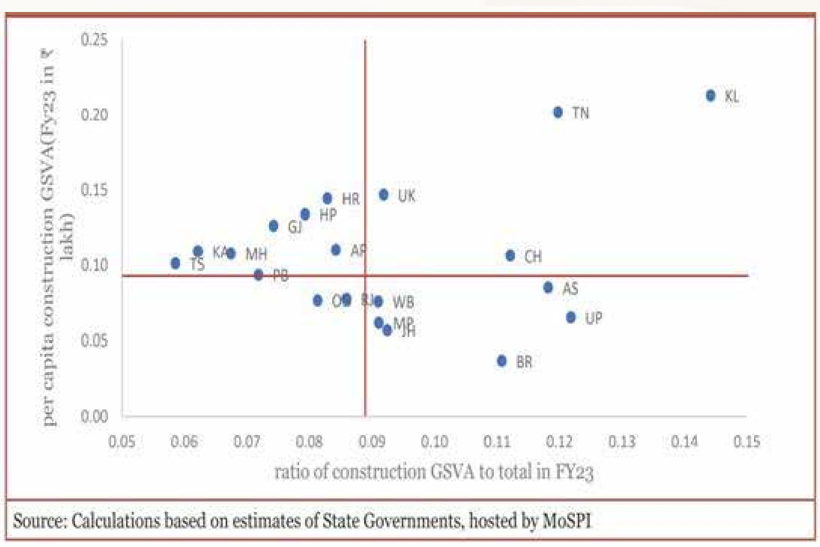


Figure 2: Pattern of construction activity variant from general pattern of industrial activity

The Survey additionally analyses that the mining sector contributes about 8 per cent to the total industrial output. It specifies, mining activity is highly concentrated with top five states that is Assam, Chhattisgarh, Gujarat, Maharashtra and Odisha, accounting for about 60 per cent of the all-State mining GSVA.The Economic Survey quoting varied Research papers, highlights state-level policies play a crucial role in shaping the economic growth patterns across Indian states. It further emphasizes that factors like regulatory environment, infrastructure development, and state-level reforms are shown to significantly influence industrial growth patterns.

Pertinently, the Survey points to the quintessential aspect that States should focus on business reforms on a priority basis to achieve buoyancies in some industrial or service sectors. The Survey asserts that States should make it easier for businesses to commence operations and to grow; thereby, resulting in faster convergence of living standards and per capita incomes.

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GOVERNMENT IS IMPLEMENTING THE MICRO AND SMALL ENTERPRISES-CLUSTER DEVELOPMENT PROGRAMME (MSE-CDP) TO DEVELOP CLUSTERS ACROSS THE COUNTRY: ECONOMIC SURVEY 2024-25

The MSME sector is important to India’s progress, mentions the Economic Survey 2024-25 tabled in Parliament by Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman today. The Economic Survey highlights that the Government is implementing the Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) to develop clusters across the country. Under this, Common Facility Centres (CFCs) are channels to address common issues, such as improvement of technology, skills, quality for MSEs.

The Survey further states the importance of equity funding to MSMEs. Government has launched the Self-Reliant India (SRI) Fund with a corpus of ₹50,000 crore. The Survey says, the fund has a provision of ₹10,000 crore from the government and ₹40,000 crore through private equity/venture capital funds.

The Economic Survey 2024-25 highlights that the Government is committed to addressing the issues of MSMEs’ through measures like MSME Samadhan and the CHAMPIONS (Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength) portal. The Economic Survey says that from the date of launch of the MSME SAMADHAAN portal 2,20,704 applications have been filed by MSEs, out of which 20652 have been mutually settled, 53493 are yet to be viewed by MSEFC, 60714 have been rejected, 45952 cases have been disposed off and 39893 cases are under consideration. As of date, the CHAMPIONS portal disseminates information in eleven regional languages.

As per the Economic Survey 2024-25, as of November 26, 2024, MSMEs have reported employing 23.24 crore individuals. In order to simplify the process of registering MSMEs and to enable ease of doing business, the Survey specifies that the Government launched the Udyam Registration Portal in July 2020. This online, self-declaration-based system requires a PAN card for registration. To formalize Informal Micro Enterprises (IMEs), the government in collaboration with SIDBI, introduced the Udyam Assist Platform (UAP) in January 2023, the survey adds.

On the front of facilitating credit to MSMEs, the Survey mentions a revamp of the Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) was undertaken with ₹9,000 crore

in the corpus of the Credit Guarantee Fund Trust for MSEs. This aimed to facilitate an additional Rs. 2 lakh crore credit for MSEs at reduced interest rates.

The launch of TReDS has been an important step taken by Government of India for benefitting the MSMEs and helping them realize their receivables in a time-bound manner at a relatively lower financing cost, the Survey adds. TReDS, is a marketplace that enables buyers such as government departments, public sector undertakings, corporates etc. to honour timely payments to their MSME suppliers as per MSMED Act 2006.

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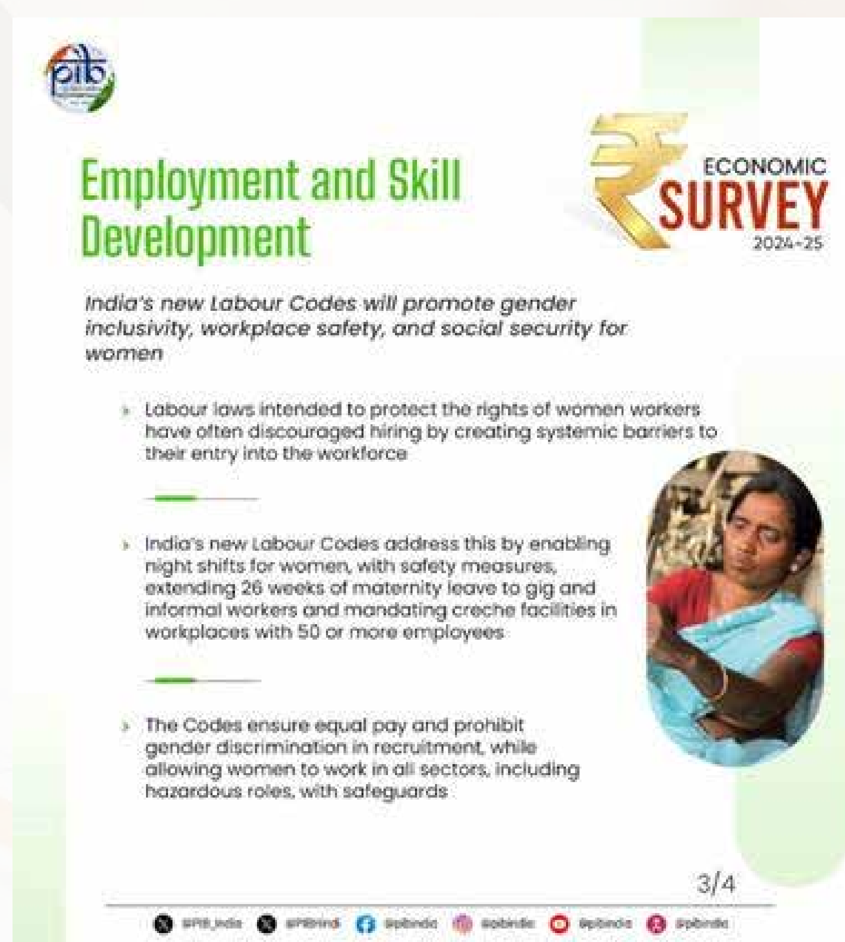
LABOUR MARKET INDICATORS SHOW SUBSTANTIAL IMPROVEMENT IN LAST FEW YEARS: ECONOMIC SURVEY 2024-25

Driven by robust post-pandemic recovery and increased formalisation, labour market indicators in India have improved substantially in the last few years. As per Periodic Labour Force Survey (PLFS), the unemployment rate in India has dropped significantly and labour force participation and the worker population ratio have shown considerable improvements. Additionally, sectors like the digital economy and renewable energy offer vast potential for creating high-quality jobs, which is essential for achieving the Viksit Bharat's vision. This was stated by Economic Survey 2024-25 tabled by Union Minister of Finance and Corporate Affairs, Smt. Nirmala Sitharaman in Parliament today.

Key indicators of labour market are:

- The Unemployment Rate (UR), for individuals aged 15 years and above, has steadily declined from 6 per cent in 2017-18 to 3.2 per cent in 2023-24.
- Net additions to EPFO subscriptions have more than doubled, rising from 61 lakh in FY19 to 131 lakh in FY24, indicating the formalization of job market.
- Nearly 61 per cent of net payroll addition came from less than 29 years of age indicating that new jobs in the organised sector are going to the youth.
- The proportion of self-employed workers in the workforce has risen from 52.2 per cent in 2017-18 to 58.4 per cent in 2023-24 which reflects the growing entrepreneurial activity and preference for flexible work arrangements.
- The decline in casual workers, from 24.9 per cent to 19.8 per cent, also indicates a shift toward more structured forms of self-employment.
- Annual Survey of Industries (ASI) results for the FY23 shows more than 7 per cent increase in employment over the previous year. This translates into an addition of over 22 lakh jobs in FY 23 over FY 19 (pre-pandemic level).
- Female Labour Force Participation Rate (FLFPR) has increased from 23.3 per cent in 2017-18 to 41.7 per cent in 2023-24. This shows enhanced participation of women in economic activities across various categories, including rural and urban.

Initiatives such as Mudra Yojana, Skill India, Start-Up India, and Stand-Up India have played a pivotal role in fostering entrepreneurship, providing skill training, and supporting individuals in creating self-reliant and sustainable livelihoods.



Promoting Women Entrepreneurs for Economic Growth:

Economic Survey mentions that the growing participation of women in entrepreneurship can propel the country towards higher levels of development by tapping into their latent potential to contribute to economic activities. To give a fillip to women's entrepreneurship, the government has launched several initiatives in terms of easier access to credit, marketing support, skill development, support to women start-ups, etc.

Schemes and initiatives like PM Employment Guarantee Programme, SANKALP, PM Micro Food Processing scheme, Adivasi Mahila Sashaktikaran Yojana, Swayam Shakti Sahakar Yojna, DAY-NRLM etc. are promoting women-led enterprises by offering women entrepreneurs financial support, training, and mentorship, empowering them to start and scale their businesses.

Balancing Profitability and Wage Growth:

Economic survey notes that while corporate profitability soared to a 15-year peak in FY24, wages have lagged.

The disproportionate rise in corporate profits—predominantly among large firms—raises concerns about income inequality, Economic Survey adds. Sustained economic growth hinges on bolstering employment incomes, which directly fuel consumer spending, spurring investment in production capacity.

It further says that to secure long-term stability, a fair and reasonable distribution of income between capital and labour is imperative. It is essential for sustaining demand and supporting corporate revenue and profitability growth in the medium to long run.

Welfare of Unorganised Workers:

The eShram portal, was launched on 26 August 2021 to register and support unorganised workers by providing them with a Universal Account Number (UAN) and for the creation of a comprehensive National Database of Unorganised Workers (NDUW). As of 31 December 2024, over 30.51 crore unorganised workers have already registered on the eShram portal.

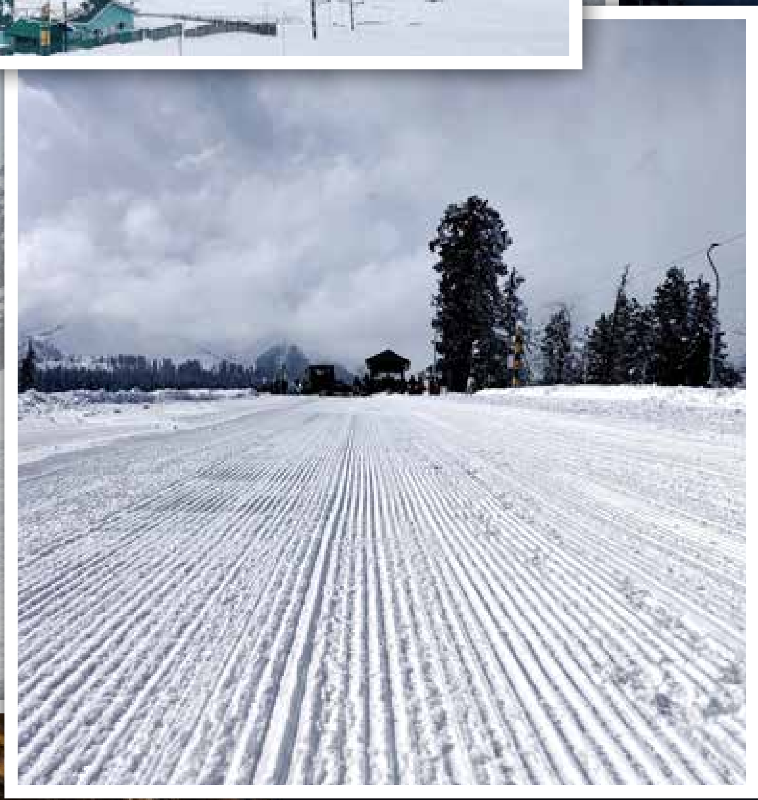
About **Art in Life Foundation**

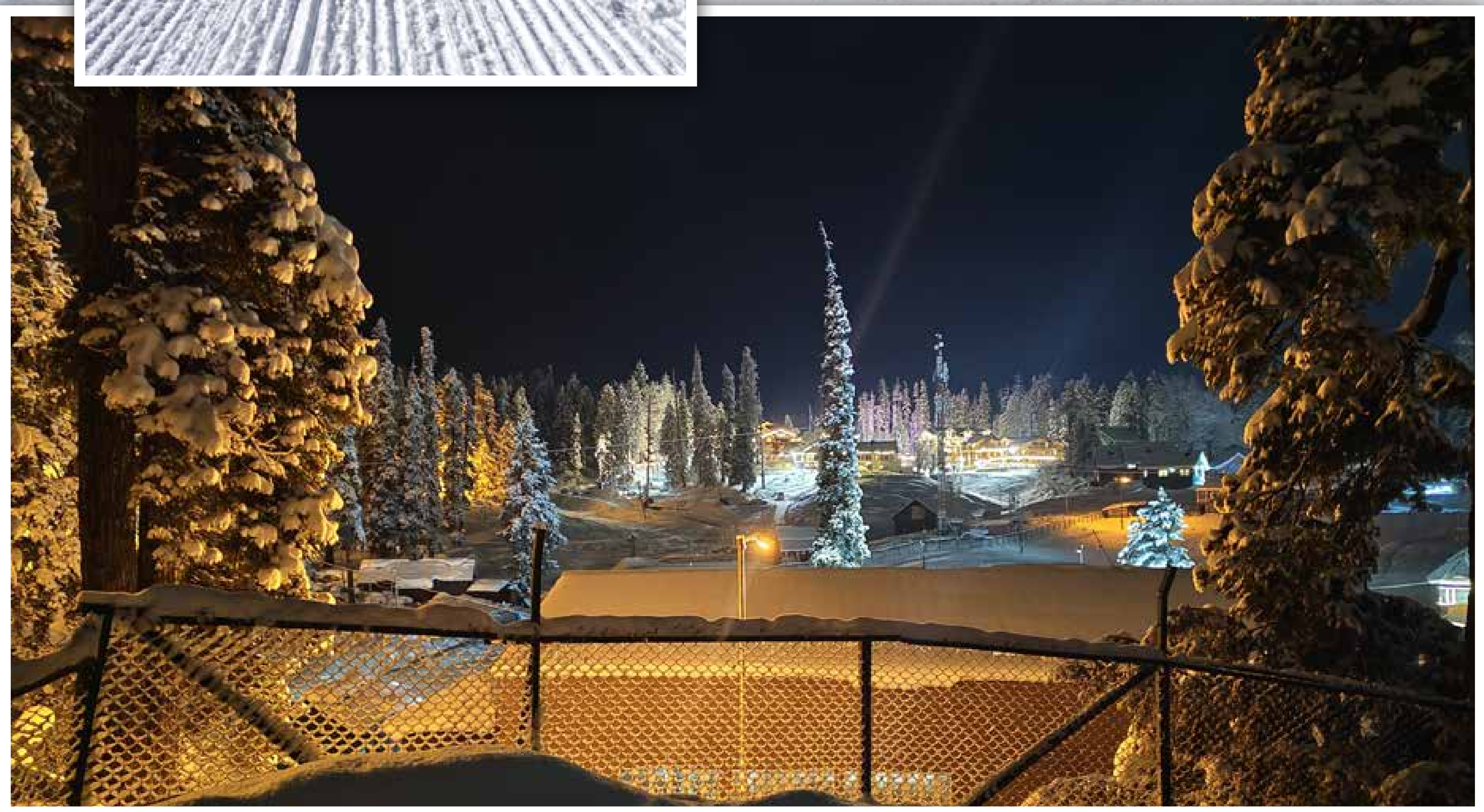
ART IN LIFE FOUNDATION

An initiative towards sustainability and equality

A COMMUNITY DEVELOPMENT INITIATIVE BY **JAMMU & KASHMIR POLICY INSTITUTE, JKPI,** to explore how we can move from research to practice and make a meaningful contribution to improve the lives of people in our communities.

Snow paradise of India - Gulmarg!





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Website: www.jkpi.org | Sector 5, Bemina, Srinagar, Jammu and Kashmir, India, 190018