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**STANDING COMMITTEE ON FINANCE
(2025-26)**

EIGHTEENTH LOK SABHA

**MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)**

[Action taken by the Government on the Observations/Recommendations contained in Twenty Sixth Report (18th Lok Sabha) on the subject 'Roadmap for Indian Economic Growth in Light of Global Economic and Geopolitical Circumstances']

TWENTY-NINTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2026/ Magha, 1947 (Saka)

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(2025-26)**

(EIGHTEENTH LOK SABHA)

**MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)**

Presented to Lok Sabha on 12 February, 2026

Laid in Rajya Sabha on 12 February, 2026



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2026/ Magha, 1947 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE (2025-26)

Shri Bhartruhari Mahtab - Chairperson

MEMBERS

LOK SABHA

2. Shri Arun Bharti
3. Shri P. P. Chaudhary
4. Shri Rajesh Naranbhai Chudasama
5. Shri Lavu Sri Krishna Devarayalu
6. Shri Gaurav Gogoi
7. Shri K. Gopinath
8. Shri Suresh Kumar Kashyap
9. Shri Kishori Lal
10. Shri Harendra Singh Malik
11. Thiru Arun Nehru
12. Shri N. K. Premachandran
13. Dr. C. M. Ramesh
14. Smt. Sandhya Ray
15. Prof. Sougata Ray
16. Shri P. V. Midhun Reddy
17. Dr. Jayanta Kumar Roy
18. Dr. K. Sudhakar
19. Shri Manish Tewari
20. Shri Balashowry Vallabhaneni
21. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

22. Shri P. Chidambaram
23. Shri Narain Dass Gupta
24. Shri Praful Patel
25. Shri Yerram Venkata Subba Reddy
26. Shri S. Selvaganabathy
27. Shri Sanjay Seth
28. Dr. Dinesh Sharma
29. Smt. Darshana Singh
30. Dr. M. Thambidurai
31. Shri Pramod Tiwari

SECRETARIAT

- | | |
|------------------------------|------------------|
| 1. Shri Gaurav Goyal | Joint Secretary |
| 2. Ms. Bharti Sanjeev Tuteja | Director |
| 3. Shri T. Mathivanan | Deputy Secretary |
| 4. Ms. Yugma Malik | Under Secretary |

INTRODUCTION

I, the Chairperson, of the Standing Committee on Finance, having been authorised by the Committee, present this Twenty-Ninth Report (Eighteenth Lok Sabha) on action taken by Government on the Observations / Recommendations contained in the Twenty-Sixth Report of the Committee on 'Roadmap for Indian Economic Growth in Light of Global Economic and Geopolitical Circumstances'.

2. The Twenty -Sixth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 19 August, 2025. The Action Taken Notes on the Observations/Recommendations were received from the Government *vide* their communication dated 02 December, 2025 and 19 December, 2025.

3. The Committee considered and adopted this Report at their sitting held on 11 February, 2026.

4. An analysis of the action taken by the Government on the Recommendations contained in the Report of the Committee is given in the Appendix.

5. For facility of reference, the Observations/Recommendations of the Committee have been printed in bold in the body of the Report.

6. The Committee would also like to place on record their deep sense of appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

New Delhi;
11 February, 2026
22 Magha, 1947 (Saka)

Bhartruhari Mahtab
Chairperson,
Standing Committee on Finance

CHAPTER – I

REPORT

This Report of the Standing Committee on Finance deals with action taken by the Government on the Observations/Recommendations contained in their Twenty-Sixth Report (Eighteenth Lok Sabha) on the subject 'Roadmap for Indian economic growth in light of global economic and geopolitical circumstances' of the Ministry of Finance (Department of Economic Affairs) which was presented to Lok Sabha / laid in Rajya Sabha on 19 August, 2025.

1.2 The Action Taken Notes have been received from the Government in respect of 16 Observations/ Recommendations contained in the Report on 02 December, 2025. However, complied Action Taken Notes in respect of all the 17 Observations/ Recommendations contained in the Report have been received on 19 December, 2025. These have been analyzed and categorized as follows:

- (i) Observations/Recommendations that have been accepted by the Government:

Recommendation No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 17

Total - 17
(Chapter- II)

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies:

Recommendation No. Nil

Total - Nil
(Chapter- III)

- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee:

Recommendation No. Nil

Total - Nil
(Chapter -IV)

- (iv) Observations/Recommendations in respect of which final replies by the Government are still awaited:

Recommendation No. Nil

Total - Nil
(Chapter- V)

1.3 The Committee desire that the replies to the Observations/Recommendations contained in Chapter-I may be furnished to them expeditiously.

1.4 The Committee will now deal with the action taken by the Government on their recommendations.

Recommendation (Sl. No. 4)

1.5 The Committee note that the New Public Sector Enterprise (PSE) Policy for Atmanirbhar Bharat envisages that loss-making Public Sector Undertakings (PSUs) in non-strategic sectors should be considered for privatization or closure. This policy aims to promote fiscal prudence and efficient resource allocation. However, not much headway has been made in this regard as the proposal for disinvestment of any non-strategic CPSE has not been approved since the guidelines were issued in December 2021. The Committee recommend the Government to accelerate the implementation of the New PSE Policy by expediting the process of identifying and seeking approval for the disinvestment or closure of non-strategic, loss-making CPSEs. The Committee also note that the Central Government assists States in this process by offering incentive packages from central funds to those that undertake similar reforms for their state-level PSUs. The Committee desire that the incentive package may be reviewed to make it more attractive and effective for States to participate in the process.

1.6 In their action taken reply, the Ministry of Finance (Department of Economic Affairs) has furnished the following written submission:

Disinvestment is an ongoing process, and the timing and completion of transactions are contingent upon the economic outlook, sectoral trends, market conditions, investor interest, and administrative feasibility. As per the New Public Sector Enterprises (PSE) Policy for Atmanirbhar Bharat, issued on 04.02.2021, PSEs in non-strategic sectors shall be considered for privatisation, where feasible; otherwise, such enterprises shall be considered for closure. To operationalise the New PSE Policy for CPSEs in the non-strategic sector, the Department of Public Enterprises issued guidelines on 13 December 2021. Identification of CPSEs for disinvestment and closure under the non-

strategic sector and their approval are being pursued as per New PSE Policy, 2021. After the advent of New PSE Policy and the issuance of DPE Guidelines dated 13.12.2021, some CPSEs have been identified for closure/ disinvestment, and further action is under process.

1.7 The Committee note that the New Public Sector Enterprise (PSE) Policy for Atmanirbhar Bharat represents a paradigm shift toward fiscal prudence, yet its translation into tangible outcomes remains sluggish. While acknowledging the Ministry's submission that disinvestment is a "continuous process" contingent upon external variables—such as investor interest, sectoral dynamics, and market conditions—the Committee opine that the prolonged stagnation suggests a gap between policy intent and implementation. The Committee recommend that specific concrete measures be taken to accelerate the process for achieving the intended objectives of fiscal prudence and efficient allocation of public resources. Further, the Committee reiterate that the incentive packages offered to States for undertaking similar state-level PSU reforms should be comprehensively reviewed, with a view to enhancing their attractiveness and more effective participation by States in the reform process.

Recommendation (Sl. No. 11)

Micro, Small and Medium Enterprises (MSMEs)

1.8 The Committee recognize the vital role of Micro, Small, and Medium Enterprises (MSMEs) as the backbone of the Indian economy. While appreciating the Government's various efforts to promote their growth, the Committee observe a more comprehensive, innovation-driven strategy encompassing finance, technology, capacity-building, and infrastructure are required, and therefore, recommend the following:-

(i) Finance and Liquidity:

To improve financial access, the Committee urge continued wide scale promotion of the new digital Credit Assessment Model announced in the July 2024 Union Budget and a wider dissemination of Credit Guarantee Schemes, especially for smaller and vulnerable enterprises. The Committee also suggest that financial institutions should deepen credit penetration in underserved regions and that platforms like Trade Receivables Discounting System (TReDS) and Exchange-Based Factoring (EBF) be strengthened. A major concern, however, is the high interest rates on the TReDS platform, approaching 18% per annum. The Committee, therefore, desire the Government to review these rates and take measures to lower them, such as by working towards increasing competition among financiers, or establishing a benchmark etc.

(ii) Regulatory and Policy Framework

The Committee note the improved asset quality of the MSME sector but remain concerned about the possible disproportionate impact of the strict NPA norms, which could lead to the closure of financially vulnerable MSMEs. The Committee, therefore, desire the Government to conduct a specific, comparative study on the impact of these rules on MSMEs versus large corporations. This would provide a data-driven basis to determine if differentiated rules or support mechanisms are necessary. Furthermore, the Committee suggest exploring new ways to reduce MSME financial vulnerability beyond existing credit guarantee schemes.

(iii) Technology, Formalization, and Market Access

For technology adoption and formalization, the Committee recommend scaling up digital tools such as Udyam Registration, GeM, and MSME SAMADHAAN. The Committee also stress for enhancing the Udyam Assist Platform, strengthening linkages with large corporates and export bodies. Promoting digital literacy, e-commerce participation, cluster development, and sector-specific policies which are critical for enhancing market access may also be considered. These measures will go a long way in strengthening the MSME.

(iv) SME IPOs

The Committee note the significant growth of SME IPOs and the existing regulatory framework but recommend a multifaceted plan to encourage more SMEs to go public. This includes continued regulatory refinements to simplify disclosure norms and a focus on enhancing post-listing liquidity on SME platforms. The Committee also suggest launching targeted awareness campaigns and capacity-building programs to educate SMEs on the benefits of going public and to guide them through the process.

1.9 In their action taken reply, the Ministry of Finance (Department of Economic Affairs) has furnished the following written submission:

(i) Finance and Liquidity: The new Digital Credit Assessment Model (announced in the Union Budget 2024-25) was formally launched on 6 March 2025 so that public sector banks (PSBs) can build their in-house capability to assess MSMEs for credit, instead of relying on external assessments based on the scoring of digital footprints of MSMEs. The Ministry of Micro, Small & Medium Enterprises (MMSME) is supporting the lead department i.e. Department of Financial Services (DFS). The credit assessment model for MSMEs based on digital footprints is expected to be a significant improvement over the traditional credit eligibility assessment, which is based solely on asset or turnover criteria. The DFS has also informed that Public Sector Banks have started processing for implementing the Budget announcement.

In addition, the Ministry of MSME implements the Credit Guarantee Schemes for Micro & Small Enterprises. Under this scheme, CGTMSE introduced 'Special Provision for the Informal Micro Enterprises (IME)' under the existing Credit Guarantee Scheme on 14.02.2024. The guarantee covers credit facilities up to Rs. 20 lakh with 85% coverage, with no primary security required, and a guarantee fee of 0.37% for up to Rs. 10 lakh and 0.45% for Rs. 10 lakh to Rs. 20 lakh. Government has taken a number of steps in the recent years to improve the effectiveness of Credit Guarantee Scheme (CGS), like infusion of additional Corpus of Rs 9000 Crore into CGTMSE and 50% reduction in the Annual Guarantee Fees from peak rate of 2% per annum to 0.37% per annum, along with an increase in the guarantee ceiling from Rs 2 Crore to Rs 5 Crore while increasing the extent of guarantee coverage for women owned Micro

and Small enterprises (MSEs) to 90%. As a result, the Trust has been able to provide an additional ₹ 56.04 lakh credit guarantees to MSEs, amounting to ₹6.12 lakh crore, within three years from 2022-25, significantly enhancing the credit flow to MSEs. Furthermore, the guarantee ceiling has been enhanced to Rs 10 Crore from Rs 5 crore, effective 1.4.2025, to ensure a steady credit flow to the MSME sector.

MMSME also implements “Raising and Accelerating MSME Performance” (RAMP). The scheme aims at promoting Centre-State collaboration by providing grants to States for the preparation of the Strategic Investment Plan (SIP). RAMP targets to benefit 5.5 lakh MSMEs during the five-year implementation period. More than four lakh MSMEs have been impacted so far.

To enhance the scope for mandatory onboarding on TReDS, MMSME issued a notification in S.O. 4845(E) dated 07.11.2024. Accordingly, all companies registered under the Companies Act, 2013 (18 of 2013) with a turnover of more than Rs. 250 crore (Rupees two hundred and fifty crore rupees only) and all Central Public Sector Enterprises are required to get themselves onboarded on TReDS. A total of 5 TReDS Platforms have received approval.

(ii) Regulatory and Policy Framework: With regard to Non-performing Assets (NPA) norms on MSMEs, Credit-related matters of Regulated Entities (REs), including underwriting, loan drawdown and repayment schedule, are largely deregulated and governed by the terms and conditions of the loan contract between the RE and the borrower. As informed by the Reserve Bank of India (RBI), the classification of an account as a Special Mention Account (SMA) category serves to identify stress in the account early, when the borrower defaults on agreed-upon obligations. An account is classified as NPA only after it remains continuously overdue for more than 90 days, to ensure recognition of elevated credit risk and build-up of adequate provisions. The classification of an account as SMA or NPA does not preclude the lender from continuing to offer credit facilities to the borrower or providing additional/fresh credit facilities to the borrower.

i. RBI, vide circular dated March 17, 2016, on “Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs)”, has issued guidelines for all Scheduled Commercial Banks covering MSME loans up to ₹25

crore. Banks must identify incipient stress through SMA-0, SMA-1, and SMA-2 classifications and put in place a Corrective Action Plan (CAP) that includes rectification, restructuring, or recovery. Furthermore, any MSME borrower may voluntarily initiate proceedings under the framework if it reasonably anticipates business failure, inability, or likely inability to pay debts, or erosion of net worth to the extent of 50 per cent due to accumulated losses in the previous accounting year.

ii. Further, within prudential boundaries set by RBI, several regulatory relaxations specifically support MSMEs:

- a) *Relaxed capital requirement: MSMEs under the regulatory retail portfolio attract a lower risk weight of 75%, and the exposure threshold for inclusion under the regulatory retail portfolio of scheduled commercial banks has been enhanced from ₹5 crore to ₹7.5 crore, covering MSMEs with turnover up to ₹50 crore.*
- b) *Pricing: Banks have been advised to link floating-rate MSME loans to an external benchmark, ensuring a swifter monetary transmission.*
- c) *Lower provisioning: Standard asset provisioning norms are 0.25% for Micro and Small Enterprises and 0.40% for Medium Enterprises, lower than for most other sectors.*
- d) *RBI has released the Trade Relief Measures, 2025, with a view to mitigating the impact of trade disruptions on exports arising on account of global headwinds. These guidelines essentially permit lenders to grant a moratorium on debt service payments for the period September-December 2025 without any downgrade of the asset classification.*

iii. *In view of the above enabling framework, RBI has informed that further regulatory relaxation of NPA norms for MSMEs is not considered necessary at this stage.*

iv. *Further, an assessment has been carried out by NITI Aayog, in collaboration with the Institute for Competitiveness, in the form of a comprehensive report titled “Enhancing MSMEs Competitiveness in India” addressing the impact of global and domestic economic conditions on the MSME. The report presents a detailed*

blueprint for unlocking the immense potential of India's MSMEs through systemic reforms in financing, skilling, innovation and market access.

(iii) Technology, Formalization, and Market Access: For formalizing the enterprises, a revised definition based on the twin criteria of investment and turnover, was adopted to define Micro, Small and Medium Enterprises (MSME) in 2020. Accordingly, for registration of an enterprise having PAN, the Udyam Registration Portal (URP) was launched on 01.07.2020. To formalize Informal Micro Enterprises (IMEs) i.e. Enterprises which are exempt from filing GST, Udyam Assist Platform (UAP) was launched on 11.01.2023. The definition has been further revised in 2025 w.e.f 01.04.2025.

In addition, MSME SAMADHAAN portal facilitates Micro and Small Enterprises (MSEs) in filing their applications regarding delayed payments. The application, once filed, is forwarded automatically online to the concerned Micro and Small Enterprise Facilitation Council (MSEFC) established by the State/UTs as per the provisions of the MSMED Act, 2006. Action on the applications regarding delayed payment is taken by the concerned MSEFC only.

Further, to provide linkage and market integration, the International Cooperation (IC) Scheme facilitates MSMEs to participate in international fairs/exhibitions which give them exposure to global market ecosystem and helps in creating network. The IC Scheme also has the Capacity Building for First Time Exporters component which facilitates MSEs for registration with various Export Promotion Councils for membership.

MSME has also launched 'Trade Enablement and Marketing (TEAM) Scheme' on 27.06.2024. The Scheme supports onboarding MSEs onto the Open Network for Digital Commerce (ONDC) network. The initiative aims to empower 5 lakh MSEs, with a special focus on ensuring at least 50% of the beneficiaries are women-owned enterprises. The TEAM scheme provides assistance in digital catalogue creation; account management etc. and also facilitates linkages with Seller Network Participants (SNPs) to promote market access and help MSEs thrive in digital economy.

National Small Industries Corporation (NSIC)'s e-Country Pavilion on MSME Global Mart fosters international trade partnerships by connecting Indian MSMEs with global markets. It serves as a virtual gateway for cross-border commerce, showcasing trade opportunities, product categories, expanded market access and bilateral trade data between India and partner countries.

Additionally, the MSME Champions Scheme, MSME-Sustainable (ZED) Certification Scheme, MSME-Competitive (LEAN) Scheme and MSME-Innovative Scheme (Incubation, Design & Intellectual Property Rights) provides holistic support to enable MSMEs to become globally competitive.

(iv) SME IPOs: One of the biggest challenges faced by MSMEs in India is the inadequate availability of risk capital. MSMEs have limited access to external equity primarily because only a handful of players provide early-stage equity capital. Even if the equity is made available, the uptake would remain low due to legal structure, smaller investment size, information asymmetry among various stakeholders, low probability of non-linear return etc. The Self-Reliant India (SRI) Fund supports MSMEs in raising equity funds. It enables them to raise equity/equity like financing and aims at listing of MSMEs on Stock Exchanges. The Ministry of MSME in association with other Central Ministries/ Departments/ State Government and Industry Association organized awareness campaigns and capacity building programs to educate SMEs in various parts, focusing Tier 2 and 3 cities in the country.

1.10 The Committee note the extensive measures outlined by the Government, including the formal launch of the new Digital Credit Assessment Model (March 2025), the expansion of the Credit Guarantee Scheme ceiling to Rs.10 crore from Rs. 5 crore (effective 1st April 2025), the TEAM Scheme for ONDC onboarding, Trade Receivables Discounting System (TReDS) onboarding mandates, and SME IPOs for Micro, Small and Medium Enterprises (MSMEs). While recognizing

the improved asset quality and the RBI's current stance on NPA norms, the Committee emphasize that a "one-size-fits-all" approach may inadvertently stifle micro-enterprises. The Committee, therefore, urge the Government to establish a stronger outcomes-based monitoring framework to ensure that credit flows translate into affordable finance, and ensuring the uniform adoption of digital credit assessment tools across all lenders. The Committee also emphasize the need for the Government to conduct periodic, disaggregated reviews of repayment stress using sector-specific data, ensuring that the Trade Relief Measures of 2025 serve as a blueprint for permanent buffers against global economic headwinds for vulnerable enterprises. Furthermore, the Committee underscore the necessity for a multifaceted integration strategy that seamlessly links Udyam Assist Platform with export promotion schemes and SME capital market initiatives, enabling MSMEs to transition from credit dependence to equity-led growth and solidifying their role as the sustainable, innovation-driven backbone of the Indian economy.

Recommendation (SI No. 12)

Employment and Skill Development

1.11 The Committee acknowledge the Government's broad-spectrum and integrated approach toward employment generation, skilling, education and healthcare as foundational pillars of inclusive economic growth. The vision to empower youth, especially in a rapidly transforming economic and technological landscape, is evident through flagship programmes and policy reforms. However, the Committee emphasise the need for better convergence across these interventions, more granular regional implementation and stronger feedback loops between education, skilling, healthcare and employment ecosystems to ensure actual ground level implementation of 'on-

paper' schemes and programmes. In this regard, the Committee offer the following aspect-wise recommendations:

(i) Education:

The Committee note the various initiatives to make education more accessible and affordable and the rollout of the National Education Policy (NEP) 2020 which aims to reform India's education system to better align with the demands of the twenty-first century, promoting a more inclusive and progressive approach. The Committee suggest that the implementation of the National Education Policy (NEP) 2020 be synchronised with skilling and industry requirements at the grassroots level. The Committee also suggest that the existing Samagra Shiksha scheme be fortified to ensure the effective implementation of its goals related to universal access to early childhood education, with enhanced focus on teacher training and inclusive pedagogy for differently-abled and first-generation learners. For higher education, a separate initiative should be launched to place greater emphasis on employability. This could be done by mainstreaming internships and hands-on learning across all disciplines, ensuring that academic programs are directly linked to industry needs. This initiative would complement the goals of Samagra Shiksha scheme by creating a seamless transition from school-level foundation to a skilled and job-ready workforce.

(ii) Skill Development:

The Committee believe that a skilled workforce is crucial for India to achieve sustained and competitive economic growth. While acknowledging the Ministry of Skill Development and Entrepreneurship's (MSDE) efforts through international agreements, the Committee suggest for aligning vocational education and training such as Prime Minister's Internship Scheme (PMIS) with best international practices and standards and more actively engaging industry partners in curriculum design, labor demand mapping, and placement linkages to enhance employability.

(iii) Healthcare:

The Committee note the significant strides in expanding affordable healthcare and health coverage under the National Health Mission such as operationalisation of Ayushman Arogya Mandir, National Ambulance Services, Universal Immunisation

programmes etc. However, to ensure the health-employment linkage, the Committee recommend for strategic strengthening and universalization of existing school and college-based health education programs on nutrition, fitness, and mental well-being under the Fit India and Eat Right campaigns. Health services under Ayushman Bharat must be further decentralised via mobile health units and telemedicine hubs, particularly in tribal and hilly regions to deepen its impact and address gaps in reach and accessibility.

(iv) Employment Generation:

The Committee acknowledge the Government's various employment generation schemes such as Pradhan Mantri Viksit Bharat Rozgar Yojana (PM-VBRY) and other multi-pronged strategies for job creation, including the Production Linked Incentive (PLI) schemes and infrastructure investments. The Committee also note the significant impact of Artificial Intelligence (AI) on the labor market, presenting both opportunities and disruptions. To maximize employment creation while ensuring AI is labour-augmenting rather than labor-replacing, the Committee recommend that priority be given to labour intensive Micro, Small and Medium Enterprises (MSME) clusters under the Make in India and Gati Shakti initiatives. Furthermore, the Committee advocate for a strategic focus on the tourism sector, as promoting certified hospitality training, eco-tourism, and medical tourism is crucial for employment growth, particularly in light of recent Budget announcements for the sector. To bridge the gap between job supply and demand, the Committee emphasize the establishment of a centralized Labour Market Information System (LMIS). Further, the Committee also feel that Labour Force Participation Rate (LFPR) should be benchmarked alongwith roadmap for Viksit Bharat 2047 on lines of advanced economies.

To navigate the challenges posed by AI, the Committee suggest that skilling initiatives be agile and modular, with curriculum co-created with industry partners. The Committee also recommend strengthening and upgrading National and International Skill Centres and Industrial Training Institutes (ITIs) in Tier 2 and Tier 3 cities to enhance global employability and foster equitable growth. To ensure inclusivity, AI skilling programs should be multilingual and designed to address digital access disparities across gender, regions, and socio-economic backgrounds.

1.12 In their action taken reply, the Ministry of Finance (Department of Economic Affairs) has furnished the following written submission:

School education inputs indicate a decisive shift from fragmented schemes to a continuum-based approach that prioritizes foundational learning, multilingualism and inclusion, while tying these to structured teacher development and assessment systems. The consolidation of ECCE through NCF-FS, NIPUN Bharat, Balvatika and co-location of Anganwadis with schools, combined with tools like Jaadui Pitara/e-JP, NISHTHA and PARAKH, suggests that NEP 2020 is being operationalized with clear instruments and early evidence of improved FLN outcomes, including better performance in rural and government schools at Grade 3. Simultaneously, the rapid scale-up of school-based skill education from 10 “bagless days” and Kaushal Bodh at middle grades to NSQF-aligned courses, hub-and-spoke models and PM SHRI saturation, shows that employability is now being built into the school pipeline, though inter-state variation in implementation remains significant.

On the higher education side, the picture is of a system being rapidly re-architected around flexibility, credits portability, and employability, using NCeF/NHEQF, large-scale adoption of SWAYAM/SWAYAM Plus, and a strong push for internships, apprenticeships and industry-linked programmes. The Professor of Practice scheme, Joint/Dual degree regulations, expansion of NATS 2.0 and the Single Unified Internship Portal, alongside the planned AI Centres of Excellence, directly respond to the Committee’s call for synchronising NEP with skilling and industry needs and for a dedicated employability push in HEIs. Together with school-level reforms, these measures point to an emerging, though still work-in-progress, ecosystem that attempts to create a seamless school-to-work continuum, but will require closer attention to quality of delivery, inclusion of first-generation learners and persons with disabilities, and the last-mile capacity of states and institutions to actually use these frameworks and portals as intended.

Under the Government of India’s Skill India Mission (SIM) , the Ministry of Skill Development and Entrepreneurship (MSDE) delivers skill, re-skill and up-skill training through an extensive network of skill development centres/ institutes etc. under various schemes, viz. Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Jan Sikhshan

Sansthan (JSS), National Apprenticeship Promotion Scheme (NAPS) and Craftsman Training Scheme (CTS) through Industrial Training Institutes (ITIs), to all the sections of the society across the country. The SIM aims at enabling youth of India to get future ready, equipped with industry relevant skills.

The training programmes offered under the schemes of MSDE are developed in collaboration with industries, keeping in view market demands. 36 Sector Skill Councils (SSCs), led by industry leaders in the respective sectors, have been set up by National Skill Development Corporation (NSDC) which are mandated to identify the skill development needs of respective sectors as well as to determine skill competency standards. NSDC, under the Market led program, provides support to training providers that collaborate and align skill courses with industry demand.

From 2021-24, NHM engaged over 12 lakh additional healthcare workers, reduced maternal mortality by 83% since 1990 (surpassing global declines), and expanded Ayushman Arogya Mandirs to 1.72 lakh centers in FY24, alongside 220 crore COVID-19 vaccine doses administered. These strides have notably lowered infant mortality from 40 per 1,000 live births in 2013 to 25 per 1,000 live births in 2023 and bolstered disease control efforts like TB incidence reduction 37 per 1,00,000 population in 2015 to 195 in 2023.

The recommendations for strengthening school and college-based health education under Fit India and Eat Right campaigns, alongside decentralizing Ayushman Bharat services via mobile health units and telemedicine in tribal and hilly areas, merit strong endorsement to forge a robust health-employment linkage. Universalizing nutrition, fitness, and mental well-being programs can cultivate a healthier future workforce, while targeted expansions—building on existing 1,424 Mobile Medical Units and e-Sanjeevani's 43.1 crore consultations would bridge accessibility gaps, enhance preventive care, and promote equitable outcomes in underserved regions.

On the skilling and employment front, the Ministry is advancing initiatives such as the National Career Service (NCS) Portal for job matching and career guidance, overseeing a network of 14,000+ Industrial Training Institutes (ITIs) that bridge skill gaps across urban and rural areas. The National Council for Vocational Education and Training (NCVET) ensures qualification standards, and the establishment of 30 Skill

India International Centres and multiple National Centres of Excellence (NCoEs)—including a new Advanced Manufacturing NCoE in Chennai (in partnership with Singapore) and a forthcoming mining NCoE in Bhubaneswar (in partnership with Australia)—reflects ongoing reforms to align training with industry needs and foster global employability.

1.13 The Committee acknowledge the Government’s extensive measures to operationalize the National Education Policy (NEP) 2020, noting the successful rollout of the National Credit Framework (NCrF), the PM SHRI school saturation, and the expansion of the Ayushman Arogya Mandir network to 1.72 lakh centers. While commending the decisive shift toward a school-to-work continuum through the Prime Minister’s Internship Scheme (PMIS) and National Apprenticeship Training Scheme (NATS) 2.0, the Committee reiterate that the effectiveness of this integrated approach ultimately hinges on convergence at the last mile and the capacity of States and institutions to translate these frameworks, digital portals and standards into consistent ground-level outcomes. To avoid fragmented implementation and uneven regional capacity, the Committee urge the Government to establish a robust Centre-State convergence mechanism to align education, health, and employment initiatives under a single monitoring umbrella. Further, the Committee would like to re-emphasise that AI-related skilling, internships and apprenticeships should be dynamically updated through industry feedback loops, with special focus on Tier-2 and Tier-3 regions along with regular result oriented, hands-on training (CPD) for teachers to ensure that technological transformation remains

inclusive. This coordinated effort is vital to building the strong foundation of skilled and healthy citizens needed to reach the goal of a Viksit Bharat by 2047.

Recommendation (SI No. 15)

Research Development & Innovation

1.14 The Committee note that the global spending on research & development (R&D) is around 2.7 percent of the world GDP, while India is far below the global average at 0.65 percent of this expenditure, indicating a pressing need to enhance investment in this critical area. The recent approval of the Research Development and Innovation (RDI) Scheme, which allocates Rs. 1 lakh crore to foster private sector engagement in R&D, particularly in strategic and sunrise domains including digital technologies. The Committee commend the Scheme's comprehensive objectives, which include funding projects at advanced technology readiness levels; acquisition of critical technologies, and establishing a Deep-Tech Fund of Funds, align well with India's vision of economic security, self-reliance and achieving developed nation status by 2047. To ensure the scheme's success, the Committee recommend implementing robust monitoring mechanisms and fostering greater collaboration among academia, industry, and government research institutions. Furthermore, the Committee urge the Government to incentivize R&D investments across all sectors and promote awareness of emerging technologies to accelerate India's transition into a global innovation leader.

1.15 In their action taken reply, the Ministry of Finance (Department of Economic Affairs) has furnished the following written submission:

The Union Cabinet approved the Research, Development, and Innovation (RDI) Scheme on 1 July 2025, with a total outlay of ₹1 lakh crore over six years, including ₹20,000 crore for FY 2025–26. To ensure robust monitoring and oversight, the scheme has established governance mechanisms through the Anusandhan National Research Foundation (ANRF).

RDI scheme will operate through a two-tiered funding structure. At the first level, a Special Purpose Fund (SPF) will be established within the Anusandhan National Research Foundation (ANRF), which will serve as the custodian of the ₹1 Trillion corpus. The Executive Council of ANRF will approve the scheme's implementation guidelines. This fund will channel capital to second-level fund managers who can be Alternative Investment Funds (AIF), Development Finance Institutions (DFI), Non-banking Finance Companies (NBFCs), Focussed Research Organizations such as IIT Research Parks. Financial support decisions will be made by second-level fund managers through investment committees comprising experts from financial, business, and technical domain.

The Governing Board of Anusandhan National Research Foundation (ANRF) chaired by Hon'ble Prime Minister shall provide overall guidance and direction for the RDI scheme. The selection of the second-level fund managers will be carried out by the Executive Council of ANRF, with approval from the Empowered Group of Secretaries chaired by the Cabinet Secretary. The Union Cabinet has approved a detailed Design and Monitoring Framework for robust monitoring of the scheme. The framework among other parameters takes into account technological advancement in terms of number of prototypes, proofs-of-concept, or innovations developed from the funded projects over the years measured relative to the Technological Readiness Level (TRL) of the projects at the time of sanction. Other relevant parameters such as commercial readiness, market readiness, etc will also be considered as well.

The scheme is expected to foster greater collaboration between academia and industry as research done up to TRL Level 1-4 (from basic research to prototype) in academia can be taken up for commercialization by industry/startup through support from the scheme.

The Government has also acted to incentivize R&D investments across all sectors. The RDI Scheme provides financial support to encourage private sector participation in strategic technology areas such as energy security and transition, climate action, deep technologies including quantum computing, robotics, and space, AI applications in agriculture, health, and education, biotechnology, biomanufacturing, synthetic biology, pharmaceuticals, medical devices, and the digital economy. The scheme also

supports technologies important for indigenization, strategic, economic, or public interest purposes.

To implement the scheme, the Department of Science & Technology (DST), as the nodal agency, has prepared detailed implementation guidelines, including the selection process for second-level fund managers. In line with Cabinet directions, Special Financial Rules and staffing proposals for operating the Special Purpose Fund under ANRF have been prepared and shared with the Department of Economic Affairs (DEA) and Department of Expenditure (DoE) for concurrence. The Government has taken several measures for awareness including extensive consultation with stakeholders and outreach through social media.

Through these measures, the Government has implemented the Committee's recommendations by establishing robust monitoring mechanisms, fostering collaboration across academia, industry, and government research institutions, incentivizing R&D investments across strategic and emerging sectors, and promoting awareness and adoption of advanced technologies. These initiatives collectively support India's transition towards becoming a global innovation leader.

1.16 The Committee commend the operationalization of the Research, Development and Innovation (RDI) Scheme with a total outlay of ₹1 lakh crore over six years, including ₹20,000 crore for FY 2025–26 with governance mechanisms established through the Anusandhan National Research Foundation (ANRF). The Committee also take note of the two-tiered funding structure; the emphasis on technology readiness levels; the focus on private sector participation; preparation of detailed implementation guidelines, including the selection process for second-level fund managers by the nodal agency- Department of Science & Technology (DST) amongst other details of the Scheme. However, the Committee would like to emphasise that the Scheme's ultimate effectiveness hinges on timely operationalization and its

ability to crowd in sustained private investment beyond the initial public corpus. Noting India's persistently low R&D expenditure at 0.65% of GDP, the Committee underscore the need for a medium-term roadmap with clearly articulated milestones to progressively raise overall R&D intensity, complemented by sector-wise and region-specific incentives to boost private sector risk appetite. The Committee are of the view that steps should also be taken to improve intellectual property rights enforcement, patent and design registration, and adequate commercial courts to boost confidence amongst private players in the research sector. Further, the Committee emphasise the importance of strengthening industry academia linkages at scale so that the RDI Scheme catalyses a self-sustaining innovation ecosystem aligned with the vision of **Viksit Bharat 2047**.

Recommendation (SI No. 16)

Formalisation and Digitisation of Economy

1.17. The Committee acknowledge significant progress in the formalization of the economy and digital inclusion, citing initiatives like the Udyam Assist Platform (UAP), eShram portal, GST digitization, and increased EPFO subscriptions. The Committee also note the deepening of India's digital economy through the adoption of UPI and other digital platforms. However, the Committee remains concerned about "digital deserts" in rural and underserved areas. To address this, the Committee recommend that digital infrastructure may be scaled up in remote areas via BharatNet; promoting hyper-local digital innovations; and integrating digital literacy programs like Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) and National Digital Literacy Mission (NDLM) into school curricula. Furthermore, the Committee recommend the Government to periodically study whether formalization leads to sustained income security, social protection, and long-term employment, especially among informal

workers. This is crucial for taking corrective measures and ensuring the gains from formalization and digitization translate into inclusive economic development.

1.18 In their action taken reply, the Ministry of Finance (Department of Economic Affairs) has furnished the following written submission:

India's digital transformation extends beyond mere access; it focuses on empowering people and institutions to utilise technology effectively, driving inclusive growth, strengthening digital governance, and enabling citizens across the country. To provide high-bandwidth capacity internet/broadband connectivity and mobile services to remote & rural villages and islands in the country that currently lack coverage, the Government has taken several steps and initiated various projects. The BharatNet project is being implemented in a phased manner to provide broadband connectivity to all Gram Panchayats (GPs) and villages beyond GPs on demand basis across the country. As of June, 2025, 2,14,325 GPs have been made service-ready under BharatNet project in the country.

The Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) Scheme was aimed at bridging the digital divide through empowering the citizens in rural population in the age group of 14 to 60 years by training them to operate computer or digital access devices (like tablets, smart phones etc.), send and receive emails, browse internet, access Government services, search for information, undertake digital payments etc. and hence enable them to use the Information Technology (IT) and related applications especially Digital Payments to actively participate in the process of nation building. Under the scheme, a total of 6.39 crore individuals were trained across the country against the target to train 6 crore individuals.

The eShram portal, launched by the Ministry of Labour & Employment on 26 August 2021, is a landmark initiative aimed at creating a National Database of Unorganised Workers (NDUW), seeded with Aadhaar. It enables unorganised workers to self-register and obtain a Universal Account Number (UAN), thereby formalising their identity and facilitating access to welfare services and entitlements. Over time, eShram has evolved into a one-stop solution for unorganised workers, integrating access to multiple welfare schemes, employment services and support mechanisms. The portal

facilitates interoperability with Central Schemes such as Pradhan Mantri Shram Yogi Mandhan (PMSYM), Pradhan Mantri Suraksha Bima Yojana(PMSBY) and Pradhan Mantri Jivan Jyoti Bima Yojana (PMJJBY) etc. Ensuring that workers are not only registered but also actively connected to Social Security benefits.

eShram is also leveraged to register platform workers in line with the Budget Announcements 2025-26, laying the foundation for extending Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) benefits in the future. Recognising this new form of employment, the portal offers a simplified registration process and is working to link workers with Social Security Schemes to ensure health coverage and welfare benefits. This will enable secure and streamlined sharing of worker data to support benefit portability, improved visibility of workers' skill, and ensure targeted delivery of services. The integration aims to bridge data gaps, strengthen Centre-State coordination, and improve grassroots implementation of welfare schemes.

In parallel, pilot microsites have been launched in two states, offering user-friendly interfaces, sector-specific updates, and real-time dashboards to support targeted planning and outreach. Based on the success of these pilots, the microsite model is to be scaled to all willing States/UTs, with features such as multilingual access, sectoral resources, and tools for decentralised monitoring and planning. To promote economic empowerment, eShram has been integrated with platforms like the Skill India Digital Hub (SIDH) and National Career Service (NCS), enabling employment linkages, skill development, and financial inclusion. These integrations help enhance workers' employability and support their transition to formal employment. In alignment with infrastructure planning, eShram is also linked with the PM GatiShakti National Master Plan, connecting labour data with GIS-based infrastructure projects. This facilitates spatial analysis to match labour supply with project demand, improving workforce utilisation and reducing delays.

To support data-driven governance, data sharing guidelines have been issued for Central Ministries and State Governments, enabling secure access to eShram data for planning, monitoring, and policymaking. These guidelines ensure responsible data use while maintaining privacy and regulatory compliance. Through these strategic expansions, integrations and innovations, eShram continues to evolve as a

cornerstone of India's labour welfare architecture, ensuring that unorganised workers are not only registered but also empowered with access to the full spectrum of social protection, employment opportunities and policy support.

The Committee recommendation that the Government to periodically study whether formalization leads to sustained income security, social protection, and long-term employment, especially among informal workers has been noted. EPFO has been requested to conduct a study through PDNASS within 3 months and submit ATR in the matter.

1.19 The Committee acknowledge the significant progress in the formalization and digitization of the economy, evidenced by around 2.14 lakh Gram Panchayats becoming service-ready under BharatNet project as of June 2025; surpassing the 6 crore targeted training of individuals under Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) Scheme; and the successful expansion of the eShram portal into a multifaceted welfare architecture. While noting that eShram is also being leveraged to register platform workers in line with the Budget (2025-26) announcements and further linking it with PM GatiShakti Master plan to match labour supply with project demand, improving workforce utilization and reducing delays, the Committee desire to be apprised of the improvement in actual workforce employed consequent to this integration. The Committee also desire to be apprised of the mechanism in place for the workers to update their data on real time basis. The Committee feel that persistent “digital deserts”, variations in quality of connectivity and uneven digital capabilities at the local level continue to limit the full realisation of these initiatives, particularly in remote regions and recommend that the Government may consider shifting from an access-centric to a usage and outcomes-oriented

approach by regularly mapping digital infrastructure quality and service reliability at the block and district levels.

Furthermore, the Committee note that in response to the original recommendation made to the Government, to periodically study whether formalisation leads to sustained income security, social protection and long-term employment, especially among informal workers, it has been stated by the Government in the reply that EPFO has tasked with conducting a study through Pandit Deendayal Upadhyaya National Academy of Social Security (PDNASS) within 3 months and submit Action Taken Report in the matter. The Committee desire that the study be conducted within the prescribed time limit and that its findings be shared with the Committee.

CHAPTER II
OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN
ACCEPTED BY THE GOVERNMENT

Recommendation (SI No. 1)

Growth Trajectory of India

The Committee note that amid a turbulent global economy marked by geopolitical tensions, trade protectionism and shifting investment patterns, India is sustaining robust growth as real GDP grew by 6.5% in FY 2024-25, supported by strong domestic demand and investment. The Committee observe India's position as the fastest-growing major economy, a status that has been reaffirmed by International Monetary Fund (IMF) citing prudent macroeconomic policies and reform-driven approach. Notably, India's per capita Gross National Income (GNI) grew at a Compound Annual Growth Rate (CAGR) of 5.1% between 2019 and 2024, higher than the 2.1% threshold for upper-middle-income status as per World Bank data, a pace that indicates a faster income transition than some of the Asian peers who took decades to achieve similar progress. Unlike earlier export-driven success stories in East Asia, India's growth is being achieved despite a more volatile global landscape. The Committee also note that far-reaching domestic reforms such as Goods & Services Tax (GST), the Insolvency and Bankruptcy Code (IBC), alongside infrastructure investments etc, have strengthened the economic foundation. While global growth trajectories are being reshaped—with the World Bank cutting its 2025 estimate to 2.3% and the Organisation for Economic Co-operation and Development (OECD) projecting a slowdown to 2.9% in 2025-2026—the World Bank retained India's growth forecast for 2025-26 at 6.3%. With strong macroeconomic fundamentals, a young workforce and a digitalizing economy, the Committee feel that India is well-positioned to navigate current global disruptions and advance toward becoming a high-income economy faster than many of its regional counterparts, provided that timely and effective reforms and deregulation of appropriate sectors take place efficiently and efficaciously.

Reply of the Government

The government agrees with the Committee's views.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 2)

General Outlook of the Economy - Macro Fundamentals

The Committee note that the strong economic resilience, supported by robust structural fundamentals, despite global headwinds and the Government's glide path to reduce the debt-to-GDP ratio to around 50% by 2030-31 from 56% in Financial Year 2025-26 which has already seen a decline from 61.4% of GDP in 2020-21, underscores the importance of containing the fiscal deficit alongside the capital expenditure push. The Committee desire that the reduction trend of debt-GDP ratio is continued with vigour in years to come. The Committee observe that the emphasis on improving the quality of expenditure and a decline in the interest-to-revenue ratio along with a favorable growth-interest rate differential is expected to lead to a sustained reduction in the debt burden. The Committee recognize that sustained capital expenditure is crucial for accelerating long-term productivity and job creation. Noting that the post-pandemic incremental capital-output ratio (ICOR) averaged 4.3, the Committee recommend improving public investment efficiency to enhance output per unit of capital.

Reply of the Government

The government's focus has been on improving and building upon the fiscal consolidation that has been initiated. An indicator of the quality of expenditure is, revenue deficit to fiscal deficit ratio. This ratio indirectly indicates the proportion of borrowings (fiscal deficit is financed by borrowings) used to meet current expenditure requirements. Hence, the lower the ratio, the better. From about 80 per cent in FY 2020-21 on account of the Covid-19 pandemic, the revenue deficit to fiscal deficit ratio is about 36 per cent in FY 2024-25. Effective capital expenditure of the Centre, which is the sum of capital expenditure and grants-in-aid given for creation of capital assets,

is about 99% of the fiscal deficit in BE 2025-26, signifying that almost all borrowed resources are being deployed for capital asset creation.

Capex to Total Expenditure has increased from 12.1 per cent in 2020-21 to 22.1 per cent in 2025-26 (BE). Similarly, the Capex to GDP ratio has improved from 2.1 per cent in 2020-21 to 3.1 per cent in 2025-26 (BE). On the revenue receipts front, the Gross Tax Revenue to GDP Ratio of the GoI has increased from 10.2 per cent in 2020-21 to 12.0 per cent in 2025-26 (BE).

Government of India's focus has been on deregulation and incentivising innovation in the private sector. This is expected to reduce bottlenecks and provide the necessary support for reducing the ICOR, which will have a positive impact on economic growth in the country. The recently launched Research Development and Innovation Fund (RDIF) scheme, with a corpus of ₹1.0 lakh crore, is expected to encourage the private sector to scale up research, development and innovation in sunrise domains in the economy.

**[Ministry of Finance (Department of Economic Affairs),
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 3)

The Committee take note of the Special Assistance to States for Capital Investment (SASCI) Scheme which offers interest-free long-term loans to support productivity-enhancing projects without burdening State finances. The year-wise releases under the scheme show a massive jump from ₹11,830 crore in 2020-21 to ₹1,49,484 crore in 2024-25, but the allocation for 2025-26 (BE) is only ₹1,50,000 crore. The Committee also note the diverse fiscal positions across States. The N.K. Singh Committee on the FRBM Act recommended a debt-to-GDP ceiling of 20% for States, a target that nearly all States have exceeded. With the exception of Gujarat, Maharashtra, and Odisha, every other State has a debt-to-GDP ratio higher than the recommended ceiling, with Arunachal Pradesh having the highest at 57%. To ensure long-term macroeconomic stability and equitable growth, the Committee recommend sustained fiscal discipline at the sub-national level and urge the creation of a mechanism to bring down the debt-to-GDP ratio to the recommended levels.

Reply of the Government

SASCI has had the salutary effect of incentivising capital expenditure by the States. The focus on increasing the quality of expenditure is expected to have a positive impact on budget-making in state governments by prioritising income-generating expenditures in the respective state budgets.

The NK Singh Committee submitted its report on the FRBM Act in 2017. Since then, the pandemic has altered the fiscal scenario globally. Hence, there is a requirement to consider the absolute numbers indicated by the NK Singh Committee in the context of the pandemic and the consequent welfare-related expenditure that had to be undertaken by different levels of Government. In such a scenario, a calibrated approach to fiscal consolidation focusing on the need to gradually reduce the fiscal deficit and the debt will be most optimal. The Government of India has signalled this calibration by indicating in Budget 2025-26 that by FY 2030-31, the Gol intends to reach a debt-to-GDP ratio of 50 ± 1 per cent of GDP.

The Union Government applies a common yardstick while fixing the annual borrowing limit of all State Governments under Article 293(3). All States have enacted their Fiscal Responsibility and Budget Management (FRBM) Acts. Compliance of the FRBM Act is monitored by their respective State Legislatures. The Ministry of Finance generally follows the recommendations of the Finance Commission for determining the Net Borrowing Ceiling (NBC), which is fixed at the beginning of each financial year. As per the recommendations of the Fifteenth Finance Commission, States have been allowed an NBC of 3 per cent of GSDP for 2025-26. Through Article 293(3) of the Constitution of India, the Union ensures that States adhere to the fiscal limits recommended by the Finance Commission. In cases of over-borrowing in previous years, adjustments are made by reducing the borrowing space of subsequent years.

The State Governments have been showing fiscal improvement since 2020-21. It may be mentioned that since 2020-21, all states combined have reduced their Combined Fiscal Deficit (Revenue Deficit) from 4.0 (1.9) per cent of GSDP to 3.0 (0.4) per cent of GSDP in 2023-24. Similarly, Own Tax Revenues of the States have increased from 5.8 per cent of GSDP in 2020-21 to 6.5 per cent of GSDP in 2023-24. It is expected that this trend will continue in the near future.

**[Ministry of Finance (Department of Economic Affairs),
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 4)

The Committee note that the New Public Sector Enterprise (PSE) Policy for Atmanirbhar Bharat envisages that loss-making Public Sector Undertakings (PSUs) in non-strategic sectors should be considered for privatization or closure. This policy aims to promote fiscal prudence and efficient resource allocation. However, not much headway has been made in this regard as the proposal for disinvestment of any non-strategic CPSE has not been approved since the guidelines were issued in December 2021. The Committee recommend the Government to accelerate the implementation of the New PSE Policy by expediting the process of identifying and seeking approval for the disinvestment or closure of non-strategic, loss-making CPSEs. The Committee also note that the Central Government assists States in this process by offering incentive packages from central funds to those that undertake similar reforms for their state-level PSUs. The Committee desire that the incentive package may be reviewed to make it more attractive and effective for States to participate in the process.

Reply of the Government

Disinvestment is an ongoing process, and the timing and completion of transactions are contingent upon the economic outlook, sectoral trends, market conditions, investor interest, and administrative feasibility. As per the New Public Sector Enterprises (PSE) Policy for Atmanirbhar Bharat, issued on 04.02.2021, PSEs in non-strategic sectors shall be considered for privatisation, where feasible; otherwise, such enterprises shall be considered for closure. To operationalise the New PSE Policy for CPSEs in the non-strategic sector, the Department of Public Enterprises issued guidelines on 13 December 2021. Identification of CPSEs for disinvestment and closure under the non-strategic sector and their approval are being pursued as per New PSE Policy, 2021. After the advent of New PSE Policy and the issuance of DPE Guidelines dated 13.12.2021, some CPSEs have been identified for closure/ disinvestment, and further action is under process.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

(For Comments of the Committee, please refer Para No. 1.7 of Chapter I)

Recommendation (SI No. 5)

The Committee further note that the investment rate must increase to around 35% of GDP from the current 31% to achieve the ambitious growth target of 8% annually for at least a decade. Financing this may result in higher levels of Current Account Deficit (CAD), which is challenging under current global circumstances. This emphasizes the need for domestic-led growth, for which deregulation is crucial. The Committee note the collaborative approach through the deregulation task force chaired by the Cabinet Secretary, which facilitates dialogue with States on best practices in land, labour, capital, and regulatory reforms. The Committee feel that this model of cooperative federalism can streamline business processes and foster an investor-friendly environment. The Committee also opine that tailored fiscal reforms may be promoted in highly indebted States to improve their fiscal health while maintaining their capacity to invest in critical infrastructure and social development.

Reply of the Government

In addition to the Cabinet Secretary-led initiative to iron out state-level reforms, the Union Government has constituted in August 2025, two high level committees under the chairmanship of Shri Rajeev Gauba, Member, NITI Aayog, with NITI Aayog as the Secretariat of the Committee.

- High-Level Committee on Non-Financial Regulatory Reforms (HLC-NFR) constituted; and
- High-Level Committee on Implementation of Viksit Bharat Goals (HLC-VB)

The High-Level Committee on Non-Financial Regulatory Reforms (HLC-NFR) shall undertake a review of non-financial sector regulations, certifications, licenses, and permissions pertaining to the Union Government, with a view to developing a modern, flexible, people-friendly, and trust-based regulatory framework appropriate for the twenty-first century. The High-Level Committee on Implementation of Viksit Bharat Goals (HLC-VB) will review the implementation status of key Government of India schemes, as assigned periodically, to identify any bottlenecks and recommend appropriate remedial measures. It also involves identifying potential areas for intervention, and monitoring and evaluating the progress of various projects and

schemes under the Atmanirbhar Bharat initiative, with a focus on suggesting targeted actions to fulfill its objectives.

The Central government's fiscal strategy and reform approach envisages carrying the States along and encourages them to maintain healthy public finances. State Governments have been incentivised to enhance capital expenditure through the Union Government's Special Assistance to States for Capital Investment (SASCI). This is expected to generate a strong multiplier effect on the economy, and together with regulatory reforms, is expected to expand supply-side capacity to support long-term growth. Such incentivization would also nudge greater prioritization of capital expenditure and fiscal prudence, while enhancing the resource base of the States. The Union Government, however, applies a common yardstick while fixing the annual borrowing limit of all State Governments under Article 293(3). Compliance with the FRBM Acts of the States is monitored by their respective State Legislatures.

In addition, the Government has undertaken concerted efforts to strengthen domestic sources of financing for the economy's investment requirements. Measures to enhance domestic saving rates are being undertaken by improving the bank coverage via various models, including the Banking Correspondent Model, giving more fillip through internet banking and the operation of Small Savings Schemes. Furthermore, the government's focus on ease of doing business, skilling, employment generation, resilience in agriculture, inclusive human resource development and as well as creation of infrastructure creates a congenial environment for growth of household income and savings which can be channelled back into investments. The net financial savings of households as a percentage of GDP have increased in the year 2024-25.

The Government has also focused on consistently improving the fiscal balance in the economy by reducing its debt and deficit. This ensures that Government deficits progressively consume a smaller share of available savings in the economy, thereby enabling greater availability of domestic resources for private sector investment.

Further, reforms have also been undertaken in the treatment of off-budget borrowings. From 2021-22 onwards, borrowings undertaken through PSUs, corporations, and

SPVs and serviced from the State Budget are treated as borrowings of the State itself. This ensures transparency, prevents circumvention of debt limits, and improves fiscal consolidation. To address the understatement of borrowings from the Public Account, the borrowing guidelines of FY 2022-23 have incorporated a provision related to the estimation of Public Account liability. As per these guidelines, estimates for a given year shall be based on the average liabilities reported in the preceding three years or the State's own estimates, whichever is higher. This serves as an important safeguard against over-utilisation of debt beyond actual eligibility.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 6)

Exports and Trade

In an increasingly fragmented global trade environment marked by rising protectionism and geopolitical volatility, the Committee acknowledge the commendable growth in India's exports, with an all-time high in merchandise and services exports, and note that India's balanced economic profile where strong domestic demand complements strategic export sectors, positions it advantageously amidst global realignments. However, to solidify its position as a key contributor to future global trade, the Committee recommend a recalibration of India's export strategy with an enhanced focus on manufacturing competitiveness and achieving greater market diversification. To realize this, the Committee suggest the following:-

- (i) expanding support for Production Linked Incentive (PLI) schemes into high-technology and green manufacturing, where India has the potential to gain a strategic edge;
- (ii) To build these new capabilities, it is crucial to prioritize investment in Research and Development (R&D) and skill development, fostering partnerships between private industry and academia;
- (iii) pursuing new bilateral and regional trade agreements to reduce dependency on a limited number of markets and mitigate tariff risks;

(iv) Furthermore, accelerating trade facilitation measures—such as digitized customs and improved infrastructure under PM Gati Shakti—will be essential; and

(v) In the context of industrial policy, the Committee note that while industry is a State subject, the Central Government's initiatives are vital. Therefore, the Committee recommend the Government to consider an action plan for the even distribution of industries across all States for more balanced and equitable economic development.

(vi) Simultaneously, the Committee acknowledge that both Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII) are vulnerable to global geopolitical shocks and rising interest rates. While appreciating the Government's efforts to attract foreign capital, the Committee would like to advise market regulators to be wary of the influence of foreign investors and their potential impact on market volatility. To mitigate these risks, the Committee recommend prioritizing domestic economic resilience through fiscal consolidation and encouraging SEBI and the RBI to continue streamlining regulations and improving market infrastructure. The Committee also suggest for diversifying India's investor base and promoting strategic sectors to attract committed FDI.

Reply of the Government

Recommendation Serial No. (i): Production Linked Schemes for 14 key Sectors were announced with an outlay of Rs. 1.97 Lakh Crore upon approval of the Cabinet. The 14 sectors are: (i) Mobile Manufacturing and Specified Electronic Components, (ii) Critical Key Starting Materials/Drug Intermediaries & Active Pharmaceutical Ingredients, (iii) Manufacturing of Medical Devices (iv) Automobiles and Auto Components, (v) Pharmaceuticals Drugs, (vi) Specialty Steel, (vii) Telecom & Networking Products, (viii) Electronic/ Technology Products, (ix) White Goods (ACs and LEDs), (x) Food Products, (xi) Textile Products: MMF segment and technical textiles, (xii) High efficiency solar PV modules, (xiii) Advanced Chemistry Cell (ACC) Battery, and (xiv) Drones and Drone Components.

At present, there are no proposals under consideration for inclusion of additional sectors in the PLI Schemes. The Department for Promotion of Industry and Internal Trade (DPIIT) has informed that they have taken note of the suggestion of the Committee.

Recommendation Serial No. (ii): To prioritise investment in R&D, Department of Science & Technology (DST) has taken various initiatives by fostering partnerships with industry and academia. The interventions of DST are as under:

(i) The Government has setup Rs 1 Lakh Crore Research, Development and Innovation (RDI) Fund aimed at spurring a private sector-driven R&D ecosystem. It is a long-term support to enhance India's ability to remain as a major player in global innovation. A specific allocation of ₹20,000 crore has already been made this year. The broad objectives of the Fund include encouraging the private sector to scale up research, development, and innovation in sunrise sectors. The scheme also envisages setting up of a Deep-Tech Fund of Funds.

(ii) DST through its Advanced Manufacturing Technologies (AMT) program has taken significant measures to strengthen the manufacturing sector's research ecosystem by fostering novel technologies, driving industry-relevant R&D, and promoting interdisciplinary collaborations to accelerate innovation and enhance global competitiveness. The DST has supported more than 200 projects to develop advanced manufacturing solutions under AMT. The recent AMT 2025 call is strategically designed to further enhance manufacturing competitiveness by promoting advanced, sustainable, and industry-relevant technologies by mandating industry participation, thereby aligning with national priorities such as Mission of Manufacturing and Atmanirbhar Bharat.

(iii) DST has also undertaken various initiatives and missions in the domain of emerging and futuristic technologies. One of the key missions is National Mission on Interdisciplinary Cyber Physical Systems (NM-ICPS). Under this mission, 25 Technology Innovation Hubs (TIHs) have been established in reputed academic institutions across India. Each TIH specializes in advanced technology domains such as domains Artificial Intelligence (AI) & Machine Learning (ML), Robotics, Internet of Things (IoT), Cybersecurity, Quantum Technologies and FinTech etc. Four of these TIHs at IIT Kanpur, IISc Bangalore, IIT (ISM) Dhanbad and IIT Indore, have been upgraded to Technology Translation Research Parks (TTRPs), with an aim to significantly scale the translational research, commercialization and industry engagement.

Recommendation Serial No. (iii): Exploration of market access through Free Trade Agreements (FTAs) is an ongoing process. Department of Commerce has so far

signed 15 Free Trade Agreements (FTAs) and 6 Preferential Trade Agreements (PTAs) with its trading partners. It is currently negotiating FTAs with the following trading partners countries, primarily with the aim to increase bilateral trade and economic growth by enlarging the scope of market access and building on the trade complementarities for increasing trade and investment, thereby providing enhanced export potential, generating benefits for industry, farmers, MSMEs and creating job opportunities:

1. India-Oman Free Trade Agreement (Negotiations concluded)
2. India-Australia Comprehensive Economic Cooperation Agreement (Expansion of Ind-Aus ECTA)
3. India-European Union Free Trade Agreement
4. India-Sri Lanka Economic and Technology Cooperation Agreement
5. India-Peru Free Trade Agreement
6. India-Chile Comprehensive Economic Partnership Agreement
7. India and New Zealand Free Trade Agreement
8. India and USA Bilateral Trade Agreement (BTA)
9. ASEAN-India Trade in Goods Agreement (AITIGA) (Review)
10. India-Korea CEPA (Review)

Recommendation Serial No. (iv): Strengthening trade facilitation through different measures is an ongoing process. In October 2025, the Department for Promotion of Industry and Internal Trade (DPIIT) launched a set of initiatives under the PM Gati Shakti framework to enhance infrastructure planning and ensuring adequate infrastructure to support holistic growth. These include the Knowledge Management System (KMS), Decentralized Data Uploading and Management System (DUMS), PMGS NMP Dashboard (as part of the Comprehensive Multi-Sector Reporting System), and PM GatiShakti Compendium Volume-3.

The Knowledge Management System serves as a centralized repository of digital tools, use cases, standard operating procedures, compendiums, and training materials to support capacity building and ensure uniform implementation across Ministries, Departments, and States/UTs. The integrated NMP Dashboard provides real-time information on data layers, registered users, planned projects, and reported issues

through an Issue Management System, forming the basis for comprehensive multi-sector monitoring.

The Decentralized Data Uploading and Management System (DUMS) enables standardized and accountable data management through a three-stage workflow involving data upload, review, and publication by designated authorities, thereby improving transparency and inter-agency coordination. The PM GatiShakti Compendium Volume-3 documents field-level applications across infrastructure and social sectors, reflecting the use of geospatial planning for improved project execution. In parallel, trade facilitation has been strengthened through the Indian Customs Electronic Data Interchange Gateway (ICEGATE), which serves as a centralised platform for electronic interactions between Indian Customs and the trading community. ICEGATE provides services such as e-filing, online amendments, duty payment, query resolution, and IGST refund processing, thereby reducing processing time and enhancing efficiency in customs operations.

Additionally, the Trade Connect e-Platform has been launched as a single-window digital interface to assist exporters, including small Farmer Producer Organisations (FPOs), businesses and entrepreneurs in identifying new international markets and utilising benefits available under various Free Trade Agreements (FTAs). The platform facilitates access to global trade opportunities and supports India's efforts to improve export competitiveness.

Recommendation Serial No. (v) Industry is a State subject; however, the Central Government comes out with several initiatives and policies from time to time to promote industrialisation in various parts of the country, which are meant to supplement the efforts undertaken by the State governments.

Some of the key initiatives to promote even and balanced distribution of industries across all states include the PM Gati Shakti National Master Plan for integrated planning of multi-modal infrastructure and the National Industrial Corridor Development Programme (NICDP), which aims to create a strong network of industrial nodes and cities, driving economic growth and enhancing the country's global competitiveness. The Government has approved 12 new project proposals under the NICDP to facilitate the manufacturing investments into the country. These 12 industrial areas, strategically located across 10 states and planned along six major corridors,

are expected to serve as growth centres, transforming entire regions into vibrant economic hubs.

Furthermore, to promote industrial development in historically less industrialized areas, various schemes and measures have been introduced such as Special Packages for the North Eastern and Himalayan Regions including the New Central Sector Scheme, 2021 for Industrial Development of UT of Jammu & Kashmir and the Uttar Purva Transformative Industrialization Scheme for the Northeast Region (UNNATI) scheme, which offer specific capital investment incentives and subsidies to promote industrial development in the region.

Recommendation Serial No. (vi): The Government has undertaken several measures to promote stable and sustainable foreign investment inflows while maintaining domestic market resilience. In recent years, India has embarked on a series of reforms aimed at liberalising its Foreign Direct Investment (FDI) policies, with the goal of stimulating economic growth and encouraging foreign capital inflows. To promote Foreign Direct Investment (FDI), the Government has put in place an investor-friendly policy, wherein most sectors, except certain strategically important sectors, are open for 100% FDI under the automatic route. More than 90% of the FDI inflow is received under the automatic route.

Further, to ensure that India remains an attractive and investor-friendly destination, the Government reviews FDI policy on an ongoing basis and makes changes from time to time after having intensive consultations with stakeholders, including apex industry chambers, Associations, representatives of industries/groups and other organizations, taking into consideration their views/comments.

The Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) have undertaken steps to strengthen market infrastructure and regulatory efficiency. In May 2025, the RBI relaxed investment norms for Foreign Portfolio Investors (FPIs) in corporate bonds by removing short-term investment and concentration limits. This measure is expected to improve liquidity and deepen India's debt markets.

Further, to facilitate ease of compliance for FPIs investing exclusively in Government Securities, SEBI amended the *Foreign Portfolio Investors Regulations, 2019* vide notification dated August 11, 2025. The amendment simplifies procedural

requirements, aligns regulatory provisions with those of the RBI, and streamlines reporting obligations.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 7)

Price Stability

Ensuring price stability while sustaining economic growth is essential for long-term macroeconomic resilience, recent trends in food grain production, strong buffer stocks and stable inflation outlook reflect significant policy coordination. However, food inflation remains susceptible to weather-induced supply shocks, especially in the case of perishable commodities. Given that food items comprise a substantial portion of the Consumer Price Index, volatility in this segment not only affects inflation but also has direct implications for household consumption and nutritional security. The Committee, therefore, recommend that structural measures be deepened to strengthen supply chains, particularly for vegetables and pulses, by investing in integrated cold storage infrastructure, decentralized procurement, and digital market linkages. The 'Bharat' brand subsidy initiative and free foodgrain distribution under Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) may be accompanied by targeted nutrition-sensitive reforms to improve dietary diversity among vulnerable populations. This is to be complemented by the existing high-level coordination between the Government and the RBI through forums like the Monetary Policy Committee (MPC) and the Financial Stability and Development Council (FSDC) to proactively monitor and address inflationary pressures.

Additionally, the Committee recommend that the Government build upon the productivity-growth-inflation framework by operationalising regulatory reforms announced in the Budget 2025–26 in a time-bound manner. The Committee believe that the proposed Investment Friendliness Index to access State level policy environments must evolve into a dynamic tool to guide inter-state competition and policy benchmarking. Further, regulatory simplification under the Jan Vishwas Bill 2.0 must be linked with measurable outcomes in business cost reduction. The Committee strongly opine that complementing inflation management with productivity-led

structural transformation is the need of the hour and will ensure macroeconomic stability and inclusive growth.

Reply of the Government

Ensuring price stability while sustaining economic growth continues to remain a central policy objective of the Government. The Reserve Bank of India (RBI), under the provisions of the RBI Act, 1934, follows a policy of flexible inflation targeting as its primary monetary policy framework, whereby RBI targets Consumer Price Index (CPI) inflation (headline inflation) to be maintained at 4% with a tolerance band of ± 2 percentage points (i.e., the target range is 2% to 6%). In addition, the Government also follows a multi-pronged approach, encompassing market monitoring, supply management and institutional coordination to ease inflationary pressures in the economy. As a result of the monetary policy intervention of the RBI as well as the different measures taken by the Government, there has been a sustained moderation in the retail inflation for the past one year. Retail inflation rate (Y-o-Y) declined from 5.4 per cent in 2023-24 to 4.6 per cent in 2024-25, the lowest in last 6 years. Further, it was moderated in 2025-26 (April-October), with average retail inflation easing to 1.9 per cent.

Since October 2024, headline inflation has been easing, reaching a low of 0.25 per cent in October 2025, well below the lower bound of 2 per cent of the inflation target range of 2% to 6%. This has largely been driven by a favourable base effect combined with deflation in food items. Food inflation dropped more than expected, hitting the negative zone, largely driven by the drop in prices of vegetables and pulses, giving some relief to consumers. The outlook for food inflation remains benign as the kharif sowing of foodgrains has been better than the previous year and given a fairly well-distributed monsoon. The Department of Consumer Affairs monitors daily retail and wholesale prices of 38 essential food commodities through 574 Price Monitoring Centres functioning across 37 States and Union Territories. The price data and trends are analysed on a regular basis to facilitate timely and evidence-based policy decisions such as release of buffer stocks, disclosure of stockholding by entities, imposition of stock limits, and adjustment in trade policy instruments including rationalisation of import duties, revision of import quotas, and regulation of exports. An

Inter-Ministerial Committee (IMC) comprising representatives from the Departments of Consumer Affairs, Food and Public Distribution, Agriculture and Farmers Welfare, Commerce, and Revenue meets at regular intervals to review the prevailing price situation and to recommend coordinated measures to ensure availability through enhanced domestic production or calibrated imports. To moderate price volatility in essential commodities, particularly in vegetables and pulses, the Government maintains buffer stocks of pulses and onions under the Price Stabilisation Fund (PSF) for market interventions. During 2025–26, approximately 3 lakh metric tonnes of onions have been procured from major producing States such as Maharashtra, Madhya Pradesh and Gujarat. The disposal from the buffer commenced on 4 September 2025, covering major consuming centres including Delhi, Mumbai, and Ahmedabad to stabilise prices across markets.

On the targeted nutritional intervention, the Government has taken several initiatives. Some of the key nutritionally-sensitive initiatives under National Health Mission (NHM) are Surakshit Matritva Aashwasan (SUMAN), Iron and Folic Acid (IFA) supplementation and Deworming, Anemia Mukta Bharat (AMB) strategy and outreach activity through Monthly Village Health, Sanitation and Nutrition Day (VHSND). Under the 15th Finance Commission, various components like Anganwadi services, Poshan Abhiyaan and Scheme for Adolescent girls (14-18 years in Aspirational Districts and North-Eastern region) have been subsumed under the umbrella Mission Saksham Anganwadi and Poshan 2.0 (Mission Poshan 2.0) to address the challenge of malnutrition. Under Mission Poshan 2.0, Supplementary Nutrition is one of the six services provided through the platform of Anganwadi Centres and is provided to Children (6 months to 6 years), Pregnant Women, Lactating Mothers and Adolescent Girls (14 to 18 years in Aspirational Districts of States and North Eastern Region) for 300 days in a year to beat the intergenerational cycle of malnutrition by adopting a life cycle approach. Supplementary nutrition containing 600 calories, 18-20 gms. of protein and micronutrients is provided in the form of Take-Home Ration (THR) for maximum of 300 days in a year to pregnant women and Adolescent girls. Information Technology (IT) systems have been leveraged to strengthen and bring about transparency in nutrition delivery support systems at the Anganwadi Centres. The 'Poshan Tracker' (PT) application facilitates monitoring and

tracking of all Anganwadi Centres (AWCs), Anganwadi Workers (AWWs) and beneficiaries on defined indicators. Technology under Poshan Tracker is being leveraged for dynamic identification of stunting, wasting, and under-weight prevalence among children. It has facilitated near real-time data collection for Anganwadi Services such as daily attendance, ECCE, Provision of Hot Cooked Meal (HCM)/Take Home Ration (THR-not raw ration), Growth Measurement, etc. Further, the Union Budget 2025-26 noted that people are increasingly becoming aware of their nutritional needs and announced important initiatives to support their aspirations. A comprehensive programme for vegetables and fruits, in partnership with States, was announced to promote production, efficient supply chains, processing, and remunerative prices for farmers. Another nutritionally-sensitive measure is the announcement of a 6-year “Mission for Aatmanirbharta in Pulses” with a special focus on Tur, Urad and Masoor. The initiative of Saksham Anganwadi and the Poshan 2.0 programme aims to provide nutritional support to more than 8 crore children, 1 crore pregnant women and lactating mothers across the country, as well as approximately 20 lakh adolescent girls in aspirational districts and the Northeast region.

The Government concurs with the Committee’s observations that managing inflation must go hand-in-hand with productivity-led structural transformation. The pursuit of these complementary objectives will ensure sustained macroeconomic stability, enhance investment attractiveness, foster inclusive and resilient economic growth, while maintaining price stability. The Investment Friendliness Index (IFI) for States and Union Territories is a crucial initiative aimed at fostering a conducive business environment to drive productivity-led economic growth. It provides a structured framework for benchmarking states and UTs on various parameters, thereby promoting healthy competition, encouraging reforms, and enhancing transparency in governance. The Index evaluates performance across multiple dimensions such as infrastructure development, ease of doing business, social infrastructure, and financial health, among others. By capturing these aspects through measurable indicators, the Index aims to provide an evidence-based tool for policy formulation and course correction. It will also serve as a guide for investors by highlighting relative advantages across different geographies and sectors. Since 2014, the Government of India has been actively improving the Ease of Doing Business (EoDB) and Ease of Living across

the country to attract investments and promote a business-friendly environment. Key initiatives such as the Business Reform Action Plan (BRAP), Business Ready (B-READY) assessment, Jan Vishwas reforms, and the Reducing Compliance Burden (RCB) initiative focus on simplifying procedures, rationalizing laws, digitizing processes, and decriminalizing minor offences. Under the RCB initiative, over 45,000 compliances have been reduced, and Single Window Systems (SWS) have been established in 30 States/UTs, integrated with the National Single Window System (NSWS) for faster, transparent service delivery. The BRAP, launched in 2014, assesses States through evidence submission, user data, and feedback, classifying them as Top Achievers, Achievers, Fast Movers, or Aspirers. The Jan Vishwas (Amendment of Provisions) Bill, 2025, introduced in Lok Sabha, builds on the success of the 2023 Act to further decriminalise minor offences and simplify regulations across 16 Central Acts administered by 10 Ministries/Departments. The Bill underscores the government's commitment to "Minimum Government, Maximum Governance", promoting ease of doing business and sustainable economic growth

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 8)

Banking Sector and Credit Availability

A resilient and well-capitalised financial system is a foundational pillar for sustained economic growth, especially in an increasingly volatile global environment. The Committee notes with satisfaction that the banking sector is currently robust, with non-performing assets (NPAs) at a 13-year low, and banks are well-capitalized to fuel further credit expansion. However, a significant concern is the continued outpacing of deposit growth by credit growth. Though the data from the RBI's June 2025 Financial Stability Report shows that this gap has narrowed i.e. as of March 2025, year-on-year credit growth for Scheduled Commercial Banks (SCBs) was 11.0%, while deposit growth was 10.7%. The Ministry has confirmed that SCBs are not facing medium-term liquidity stress, as their Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are well above the 100% regulatory minimum at 132.6% and 126.3% respectively. Although a high LCR indicates short-term stability, the Committee

observe that a persistent gap between credit and deposit growth points to a structural issue. The Committee, therefore, are of the strong view that this could lead to medium-term liquidity risks, increased funding costs, and necessitate strategic adjustments in a bank's operations. Banks might have to rely on less stable and more expensive wholesale funding, which could squeeze their profitability and create an asset-liability mismatch. To address the funding gap and to strengthen the banking sector, the Committee recommend the following:-

(i) boost deposit mobilization through digital banking initiatives in underserved areas and by offering new, innovative savings products to improve the deposit base and to sustain their lending activities responsibly.

(ii) To mitigate global geopolitical risks identified in the RBI's Financial Stability Report (June, 2025), the financial institutions, in coordination with the RBI, should strengthen their risk management frameworks, particularly in areas such as foreign exchange exposure, external commercial borrowings and cyber-security vulnerabilities.

(iii) Furthermore, the scenario-based stress testing be expanded to include Non-Banking Financial Companies (NBFCs) and cooperative banks. This is crucial for ensuring system-wide stability and resilience against external shocks and supporting the financial sector's role in driving inclusive and sustainable economic growth.

Reply of the Government

Recommendation Serial No. (i): Banks play a vital role in providing credit to productive sectors of the economy by mobilizing household savings and channelizing them into credit. However, with a growing preference among households for capital market-linked investment products over traditional bank deposits, banks are formulating a range of fund-raising strategies. While this trend may not alter the aggregate funding available for banks, it may change the character of deposits.

With a view to enhance deposits, banks are taking various measures, including, inter-alia, establishing new business verticals for deposit mobilization, opening new branches in rural and semi urban areas to channelize low cost deposits, tailored saving accounts products for niche customer segments – self-employed, women, senior citizen, high net-worth individuals (HNIs), putting in place dedicated teams to acquire Government, corporate salary, trusts & associations accounts bundled with

customized offerings. Banks are targeting districts with high deposit potential and implementing appropriate strategies to further deepen deposit mobilization. Banks are easing the customer onboarding process as well as implementing video KYC facilities to provide 24x7 banking facilities.

Large banks with an extensive branch network have access to low-cost, stable retail deposits. At the same time, banks are targeting affluent customer segments, offering high-value deposit products tailored to high-net-worth individuals (HNIs) and corporate clients. Additionally, some banks, with advanced technology stacks, are leveraging digital platforms to enhance customer acquisition and streamline deposit sourcing, providing a competitive edge in attracting both retail and corporate deposits. On the other hand, different banks are seen to have a higher reliance on inter-bank deposits and wholesale funding. This diversity in funding profiles presents unique challenges in ALM (Asset Liability Management), as each business strategy introduces its own complexities in managing liquidity, cost of funds, and risk alignment.

Some banks are increasingly leveraging technology across multiple dimensions, such as for deposit mobilization and also improving their operational processes, sales and marketing, risk management, know your customer (KYC) related processes and customer engagement and service. This adoption of technology for processes such as digital onboarding through e-KYC, biometric authentication, and instant account activation platforms has significantly reduced friction in new account acquisition.

Banks' partnerships with fintech companies, digital payment platforms, e-commerce players, and corporate ecosystems have also helped them tap into their customer base by embedding deposit products within their applications. Banks' initiatives to adopt Artificial Intelligence (AI) and Machine Learning (ML) to analyse transaction behaviour, lifestyle preferences, and financial needs, enabling hyper-personalized product offerings, dynamic rewards, and proactive balance retention strategies, are also helping in creating enhanced customer relationships. These digital advancements and their adoption have not only enhanced the overall customer experience but have also ensured that banks remain competitive in an increasingly competitive and dynamic environment.

Recommendation Serial No. (ii):

Risk Management Frameworks in Public Sector Banks:

Global regulatory initiatives are increasingly concentrating on fortifying the resilience of the financial system against new and emerging sources of risk. Concurrently, efforts continue to focus on reinforcing the resilience of both bank and non-bank financial intermediaries. Banks in the process of financial intermediation are confronted with various kinds of financial and non-financial risks viz., credit, interest rate, foreign exchange rate, liquidity, equity price, commodity price, legal, regulatory, reputational, operational, etc. These risks are highly interdependent and events that affect one area of risk can have ramifications for a range of other risk categories. Banks attach considerable importance to improve the ability to identify, measure, monitor and control the overall level of risks undertaken, and ensure robust risk management practices are adopted to safeguard stakeholders' interests and maintain financial stability. This involves implementing stringent risk assessment frameworks, compliance measures, and proactive measures to mitigate risks associated with credit, market, operational, and regulatory factors.

In line with international standards, extant instructions as per Para 8.5 of the RBI's Master Circular – Basel III Capital Regulations dated 01.04.2025, outline several prudential and risk management regulations governing banks in India, focusing on foreign exchange, gold, liquidity, funding, and cybersecurity.

- A. Capital Charge for Foreign Exchange and Gold Risk: As per RBI's instructions, the Indian Banks must maintain capital for exposure to foreign currency and gold transactions in line with international standards (Basel III):
 - (a) Risk Weight: A 100% risk-weight is applied to the net open positions (NOP) in foreign exchange and gold.
 - (b) Capital Charge: These open positions (using the higher of limits or actual open position) are subject to a 9% capital charge.
 - (c) Additionality: This capital charge is in addition to the standard capital charge required for credit risk arising from the foreign exchange and gold transactions.
- B. Managing Unhedged Foreign Currency Exposure (UFCE): The RBI mandates an increase in capital and provisioning requirements for exposures to entities that haven't hedged their foreign currency risk:

(a) Rationale: Unhedged foreign currency exposures pose a systemic risk, as volatile exchange rates can cause significant losses, impairing an entity's ability to repay bank loans and thereby increasing the probability of default for the banking system.

(b) Mitigation: RBI's Unhedged Foreign Currency Exposure directions dated 11.10.2022, require banks to apply incremental capital and provisioning requirements to all UFCE of their counterparties, regardless of the currency of the bank's exposure.

C. Liquidity and Funding Risk Management: The Indian Banks use multiple reporting and monitoring tools to manage liquidity and funding risks:

(a) Liquidity Coverage Ratio (LCR): Banks must meet the LCR standard primarily in the single base currency (₹). However, they also monitor LCR metrics for each significant currency through the Basel Liquidity Return (BLR)-4 to proactively capture currency mismatches.

(b) Funding Concentration (BLR-2): Banks prepare a monthly Statement of Funding Concentration (BLR-2). These details include funding from major counterparties, instruments, and securitization activities. This analysis helps identify critical funding dependencies to prevent liquidity stress and promote diversification.

(c) Currency Concentration in Structural Liquidity: Indian banks with foreign operations must report assets and liabilities in major/significant currencies in their Statement of Structural Liquidity. This includes reporting cumulative gaps, allowing for the proactive management of foreign exchange exposures to mitigate currency imbalance-related liquidity risks.

Risk Management Frameworks in Regional Rural Banks/Regional Cooperative Banks:

The National Bank for Agriculture and Rural Development (NABARD) is responsible for supervising Regional Rural Banks (RRBs) and Rural Cooperative Banks (RCBs) in India, as authorized under Section 35(6) of the Banking Regulation Act, 1949 (BRA). NABARD established an Internal Working Group (IWG) on Risk Based Supervision (RBS) in 2020 to improve its supervisory approach, which recommended an E-CAMELS (Enhanced - Capital Adequacy, Asset Quality, Management, Earnings,

Liquidity, Systems & Controls and Compliance) model as a transitional step towards RBS (Risk Based Supervision) framework implementation.

The establishment of appropriate risk infrastructure/ risk management frameworks in Supervised entities has been detailed and issued as guidance notes to RRBs and Rural Cooperative Banks. The quality of this infrastructure is checked during periodic inspection by NABARD under the enhanced CAMELSC model.

The Enhanced CAMELSC is an intermediary approach taken by NABARD to migrate from existing CAMELSC to RBS. Enhanced CAMELSC-based supervisory model has been developed and rolled out with effect from 01 April 2023. The total number of parameters (quantitative and qualitative) has been increased from 65 to 207 in the case of RCBs, and from 84 to 223 in the case of RRBs. Furthermore, deflators for management score and overall model level overlays have been introduced in the rating model to account for the serious observations regarding the bank's financial position and operations.

Risk Management Systems (RMS) chapter incorporated in the Inspection Report has been revised based on the E-CAMELSC approach. Significant changes have been made to the RMS chapter by drawing inputs from RBI's Risk Assessment Report and sample manual inspection reports. The chapter now includes tables that compare key ratios for each inherent risk, namely credit, market, operational, interest rate, ALM/liquidity, technology, outsourcing, strategic, and human capital.

Furthermore, NABARD conducts ITIS (Information Technology and Information Security) examinations for its Supervised Entities. The examination aims to evaluate the bank's cybersecurity risks by reviewing its implementation of the Cyber Security and Resilience Framework in line with the extant guidelines issued by NABARD, RBI, and the Government of India. Key focus areas include network security, security of payment systems such as NEFT, RTGS, UPI, and cards, endpoint management including patching and antivirus, email security, review of regulatory returns, compliance with circulars and advisories, processes and IS audit, server security (Windows, Linux) and VAPT, as well as processes related to CBS, KYC, AML, vendor management, and asset inventory.

The IT Examination report is being prepared based on a comprehensive approach that includes a sample-based review of the bank's IT/IS audit reports, vulnerability assessment and penetration testing (VA/PT) reports, and regulatory returns. It also

involves walkthroughs of the bank's technology implementations, infrastructure, and applications, along with meetings, discussions, and interviews with IT teams, business departments, and vendors. Additionally, the examination covers inspection of systems presented by the bank, and considers the bank's responses to specific queries and clarifications raised during the onsite examination.

NABARD in association with NCDL has established a Shared Services Entity called Sahakar Sarathi, which will help in onboarding Rural Co-operative Banks (RCBs) on a common platform for providing centralized services including MIS Server & Compliance, Centralised Cyber Insurance, IS Audit, Secured IT infra, KYC, Fraud management solutions, CISO on subscription, SoC, Internet and Mobile banking solutions etc. This will help in mitigating cyber security vulnerabilities of RCBs at a lower cost. A similar solution is also being contemplated for Regional Rural Banks, subject to regulatory approvals.

Furthermore, recognising the importance of cyber resilience, NABARD has been offering cyber insurance to RCBs and RRBs for the past two consecutive years, securing competitive premium rates through centralised bidding. The current policy offers the lowest premia of 0.54% by industry standards, resulting in ₹10 crore in cost savings for banks, with a consolidated Limit of Liability (LoL) of nearly ₹2,100 crore. The policy provides comprehensive coverage on favourable terms, and has relieved the RFBs of the burden of floating individual RFPs. A total of 270 banks are covered under this initiative.

Cyber Security Infrastructure: Banks have established a robust cybersecurity infrastructure to safeguard digital financial operations and mitigate evolving threats. Key measures include the implementation of Cyber Crisis Management Plans (CCMP), Contingency Management Plans (CMP), and Business Continuity Plans (BCP), alongside fully operational Security Operations Centers (SOC) and Network Operations Centers (NOC) that ensure continuous monitoring.

Further, IT teams maintain a heightened state of vigilance, supported by dedicated control rooms for 24x7 oversight and close coordination with CERTIn and NCIIPC for real-time data exchange. Regular ethical hacking and red teaming exercises are carried out to proactively identify and remediate vulnerabilities, while advanced defences are deployed to counter DDOS attacks. Furthermore, banks have

designated Disaster Recovery (DR) sites to guarantee uninterrupted operations during disruptive incidents.

An Inter-Ministerial Group (IMG) has been constituted to formulate a comprehensive, financial sector-specific cybersecurity strategy, in line with the decision taken in the 29th meeting of the Financial Stability and Development Council (FSDC) held on 10th June 2025.

The IMG will function in alignment with the forthcoming National Cyber Security Strategy (NCSS) and global standards, with the mandate to review existing measures, identify gaps, study international best practices, and formulate guiding principles to strengthen the cyber resilience of the financial sector. It will also recommend a risk management framework for emerging technologies, suggest regulatory facilitation, standardised protocols, capacity building measures, and consumer grievance redressal mechanisms.

Guidelines issued by RBI for Strengthening the banking system against fraud (Cybersecurity and Digital Monitoring):

Master Direction on Know Your Customer (KYC): Detailed regulations for customer due diligence (CDD) during onboarding, ongoing due diligence, and continuous monitoring of transactions, especially to identify inconsistencies or unusual patterns that might indicate misuse of accounts as "money mules" have been issued.

The RBI has issued a 'Guidance Note on Operational Risk Management and Operational Resilience' dated April 30, 2024, which provides overarching guidance to Regulated Entities (REs) regarding operational risk management. The details of the relevant paras of the above-mentioned RBI's Guidance Note, which include aspects on cybersecurity, are placed at Annexure – (A).

Technology for Fraud Monitoring: REs are advised to use innovative technologies, including Artificial Intelligence (AI) and Machine Learning (ML), to:

(a) Effectively monitor transactions (as per paragraphs 36 of the RBI's master direction on KYC guidelines).

(b) Report suspicious transactions, including suspected money mule accounts, to the Financial Intelligence Unit (FIU-IND), (as per paragraphs 48 and 59 of the RBI's master direction on KYC guidelines).

Video KYC (V-CIP) Requirements: Banks are mandated to comply with RBI guidelines on minimum baseline cybersecurity and resilience for banks. Additionally, V-CIP applications must include:

- a) Face liveness/spoof detection and face matching technology with a high degree of accuracy.
- b) The use of appropriate AI technology to ensure the robustness of the V-CIP process. Master Direction on Fraud Risk Management (FRM): The revised framework, issued in July 2024, mandates Supervised Entities (SEs) to maintain vigilance in monitoring transactions, especially in non-KYC-compliant and suspected money mule accounts. It strengthens the framework for Early Warning Signals (EWS) and Red Flagging of Accounts (RFA) for early detection and prevention of frauds and timely reporting to Law Enforcement Agencies.

For cyber-enabled frauds, the emerging risks from the proliferation of digital banking services have been addressed through the issuance of the Master Direction (Digital Payment Security Controls) in 2021. The Master Direction (MD) envisages RBI-regulated entities (REs) to set up robust governance structure and implement common minimum standards of security controls for digital payment products and services.

Cyber Security Framework: Issued in 2016 for Scheduled Commercial Banks (SCBs) and extended to Urban Cooperative Banks (UCBs) in 2018-19, this framework mandates a robust cybersecurity/resilience framework and continuous preparedness. These guidelines are dynamic and continuously updated to address evolving risks.

Prevention of Financial Frauds using Voice Calls and SMS: The banks are mandated to use the Mobile Number Revocation List (MNRL) from DoT and specific number series (140xx and 1600xx) for service-related and promotional calls to prevent customers from being cheated through fraudulent calls.

Issuance of various Confidential Advisories delineating specific actions to be taken by the banks in mitigating the misuse of banking channels through robust systems and controls for the prevention and detection of cyber-enabled frauds & suspected money mules:

- November 17, 2021: An Advisory on Frauds/Cybercrimes at certain specific locations was issued to Scheduled Commercial Banks, sharing hotspot locations and common fraud modus operandi for enhanced transaction monitoring.
- August 10, 2022: An Advisory on Frauds/Cybercrimes through investment/part-time job/ponzi scheme was issued to Scheduled Commercial Banks and select

Urban Cooperative Banks (UCBs), directing them to establish mechanisms for identifying and monitoring suspected money mule accounts.

- November 19, 2024: A Confidential Advisory on 'Use of money mule accounts for cyber-enabled frauds' was issued. It mandates strengthening policies, procedures, systems, controls, fixing staff accountability, due diligence in recruitment, restricting access to customer data, prompt action on Law Enforcement Agency (LEA) requests, and aligning anti-fraud measures with AML/CFT controls.
- December 31, 2024: An Advisory was issued for all Scheduled Commercial Banks, Tier 3 and Tier 4 Urban Co-operative Banks, and Regional Rural Banks to onboard onto the Suspect Registry of I4C, MHA, and use it for fraud prevention.
- May 14, 2025: Instructions were issued to 30 banks flagged by I4C, MHA for API integration of their systems with the Citizen Financial Cyber Fraud Reporting and Management System (CFCFRMS) to reduce response time for cyber complaints and to depute/station resources at the Cyber Fraud Mitigation Centre (CFMC) in New Delhi.
- May 16, 2025: An Advisory was issued to all SCBs and UCBs mandating them to onboard onto the National Cyber Crime Reporting Portal (NCRP) - Citizen Financial Cyber Fraud Reporting and Management System (CFCFRMS). NABARD also issued similar instructions to Rural Regional Banks and Cooperative Banks.
- June 30, 2025: An Advisory to all Scheduled Commercial Banks (SCBs), Urban Cooperative Banks (UCBs), and on July 02, 2025, for Payment System Operators (PSOs), to initiate integration with the Financial Fraud Risk Indicator (FRI) system developed by the Department of Telecommunications (DoT).

Recommendation Serial No. (iii):

Scenario-based stress testing in Non-Banking Financial Companies (NBFCs): The Reserve Bank of India (RBI) has apprised that presently, scenario-based stress tests are conducted for NBFCs on a semi-annual basis to assess the resilience of the sectors to shocks in credit risk and liquidity risk. Scenarios to stress the credit quality of entries are applied and resultant movements in solvency position at the individual

entity level and system level are assessed for credit risk stress testing. For liquidity risk, scenarios to stress cash inflows and outflows are applied and resultant liquidity mismatches are assessed by RBI. Individual entities that fail in the stress test are identified, and for the sector as a whole, movement in capacity adequacy position due to stress in individual entities' credit risk is aggregated, and the final decline in Capital to Risk-Weighted Assets Ratio values is assessed by RBI.

These results are also published as part of the RBI's Financial Stability Reports. Furthermore, the stress testing models are being enhanced by the RBI to cover system-wide liquidity parameters, thereby identifying outlier entities that may pose a systemic risk.

Scenario-based stress testing in Cooperative Banks:

With a view to strengthening risk management in banks, guidelines on the introduction to stress testing have been developed and issued to all SEs requiring stress tests on credit risk, interest rate risk and liquidity risk, in December 2023. The template on credit risk contains eight shocks, including focus on the top three sectors of a bank, agricultural & non-agricultural portfolio, exposure to the top five sectors other than agriculture and exposure to top borrowers. The shocks are applied on the banks based on three scenarios viz., Baseline, Medium and Severe, to assess the potential impact of adverse economic conditions on the bank's credit portfolio. These scenarios are designed to simulate varying degrees of financial stress, enabling banks to evaluate their resilience and preparedness. The shocks applied under each scenario help identify vulnerabilities in key areas such as sectoral exposures, concentration risks, and borrower-level risks, thereby supporting more informed risk management and strategic decision-making.

The interest rate risk stress testing model evaluates the effects of both upward and downward parallel shifts in the interest rate curve. The impact is assessed by change in Net Interest Income (NII) as a per centage of Tier-I capital. The liquidity risk stress test involves multi-factor stress tests, wherein stress on liquidity gap is assessed together with stress on funding sources. The impact is measured as net impact of loss as per centage of Tier-I capital.

This guideline will ensure that the RRBs and RCBs which are under E-CAMELSC

framework, will be doing the stress testing once in a year and put up the results to their top management/Board for its compliance.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 9)

Energy Transition

The Committee acknowledge India's progress in expanding renewable energy capacity and its balanced approach to energy transition, which aims to harmonise rapid economic growth with environmental sustainability and energy security. Recognising challenges such as intermittency of renewables, high storage costs and reliance on geographically concentrated critical minerals, the Committee recommend accelerating investments in diversified energy sources including solar, wind, nuclear (notably Small Modular Reactors) and green hydrogen. Simultaneously, the Committee urge the strengthening of domestic and international mineral supply chains through initiatives like the National Critical Minerals Mission (NCMM) and strategic partnerships such as the Minerals Security Partnership. To overcome storage bottlenecks, the Committee suggest scaling up Battery Energy Storage Systems (BESS) with Viability Gap Funding and promoting Pumped Storage Projects (PSPs), noting their significant potential and the need to accelerate their development to enhance energy security.

Furthermore, the Committee highlight the importance of demand-side efficiency measures, such as promoting public transport to reduce energy consumption, and stress that the readiness of State infrastructure is crucial for the EV transition, despite the current uneven progress of charging network expansion. The Committee, therefore, urge the Government to maintain sustainable, growth-oriented energy policies that prioritize affordability and efficiency while balancing climate commitments with economic and social objectives. The Committee specifically calls on the Ministry / Central Electricity Authority (CEA) to expedite the development of PSPs, recognizing their critical role in strengthening energy security and reducing import dependency.

Reply of the Government

India remains firmly committed to achieving its Nationally Determined Contributions (NDCs) under the Paris Agreement while ensuring energy security, economic growth, and social equity. The energy transition strategy adopted by the Government emphasizes diversification of energy sources, technological innovation, and a just, inclusive, and affordable transition pathway.

In line with the Hon'ble Prime Minister's announcement at COP26, the Ministry of New and Renewable Energy (MNRE) is advancing towards the target of achieving 500 GW of installed electricity capacity from non-fossil sources by 2030. As of 31 August 2025, India has achieved an installed capacity of 251.41 GW from non-fossil fuel-based sources, constituting 50.73% of the total installed generation capacity of 495.55 GW. This includes 123.13 GW from solar, 52.68 GW from wind, 11.60 GW from bioenergy, 5.11 GW from small hydro, 50.11 GW from large hydro, and 8.78 GW from nuclear power. Notably, India reached the milestone of 50% non-fossil capacity in June 2025, five years ahead of its global commitment, marking a significant achievement in the nation's sustainable energy transition.

To accelerate renewable energy (RE) deployment and achieve the 500 GW target, the Government has introduced a range of strategic and policy interventions. An annual RE bidding trajectory of 50 GW has been issued for FY 2023–24 to FY 2027–28, assigning implementation responsibilities to agencies such as SECI, NTPC, NHPC, and SJVN. The sector allows 100% FDI under the automatic route, ensuring ease of investment. Inter-State Transmission System (ISTS) charges have been waived for solar and wind projects commissioned by June 2025, Green Hydrogen projects till 2030, and offshore wind projects till 2032. To ensure market demand, Renewable Purchase Obligations (RPOs) and Renewable Consumption Obligations (RCOs) have been implemented until 2030. Standard Bidding Guidelines have been notified for solar, wind, hybrid, and firm & dispatchable RE (FDRE) projects. Several flagship schemes, such as PM-KUSUM, PM Surya Ghar Muft Bijli Yojana, the National Programme on High-Efficiency Solar PV Modules, the National Green Hydrogen Mission, and the Offshore Wind Viability Gap Funding (VGF) Scheme have been launched. The Green Energy Corridor projects are being implemented to strengthen

transmission infrastructure, and the Electricity (Green Energy Open Access) Rules, 2022 enable affordable RE access to consumers above 100 kW. Additionally, the Green Term Ahead Market (GTAM) facilitates the trading of renewable power through exchanges. The Government has also issued the National Repowering and Life Extension Policy for Wind Power Projects (2023) and the Strategy for Offshore Wind Development, which includes a 37 GW bidding trajectory by 2030. Collectively, these measures create a strong policy ecosystem to sustain India's renewable energy momentum and attract significant domestic and international investments.

To address intermittency challenges and enhance grid stability, the Government has undertaken multiple initiatives to scale up Battery Energy Storage Systems (BESS) and Pumped Storage Projects (PSPs). A Viability Gap Funding (VGF) Scheme has been launched for 4,000 MWh of BESS with an outlay of ₹3,760 crore; however, with the declining cost of storage, this budget now supports 13,200 MWh of capacity. The Production Linked Incentive (PLI) Scheme for Advanced Chemistry Cell (ACC) battery storage, with an outlay of ₹18,100 crore, targets the development of 50 GWh capacity, including 10 GWh for grid-scale applications. Guidelines for the Development of Pumped Storage Projects, issued by the Ministry of Power, along with the revised CEA Guidelines (2024), have reduced the Detailed Project Report (DPR) concurrence timelines from 90 to 50 days. Tariff-based competitive bidding (TBCB) guidelines for procuring stored energy from PSPs were issued in February 2025. To further incentivize development, ISTS charge waivers have been extended for 25 years for hydro PSPs and 12 years for BESS projects. The National Framework for Promoting Energy Storage Systems, along with guidelines for integrating BESS in generation and transmission assets, has been issued by the Ministry of Power. Furthermore, energy storage systems have been made eligible to provide Secondary and Tertiary Reserve Ancillary Services under CERC regulations. These initiatives collectively aim to enhance grid flexibility, ensure round-the-clock renewable energy availability, and improve system reliability at the lowest cost.

Recognizing the critical role of hydropower in ensuring grid stability and balancing renewable generation, the Government has taken several steps to accelerate the development of large hydro and pumped storage projects. Large Hydroelectric

Projects (above 25 MW) have been designated as renewable energy sources, and a separate Hydro Purchase Obligation (HPO) has been introduced to encourage their uptake. Budgetary support is being provided for the development of essential enabling infrastructure such as roads, bridges, railways, transmission lines, communication systems, and ropeways. The Central Electricity Authority (CEA) concurrence limit has been raised from ₹1,000 crore to ₹3,000 crore to expedite project approvals. The Draft National Hydro Policy, 2025, currently under consideration, proposes to fast-track the preparation of Detailed Project Reports (DPRs) with financial support of ₹5 lakh per MW (up to ₹20 crore per project) for a total of 30 GW of PSPs. Additionally, a 100% waiver of ISTS charges has been granted for PSPs awarded before June 2028, further incentivizing investment and early construction. These measures are expected to substantially increase India's pumped storage capacity, a key element in ensuring the integration of renewable energy and long-term energy security.

To secure the supply chain of critical minerals vital for renewable and storage technologies, the Government approved the National Critical Minerals Mission (NCMM) on 29 January 2025 with a total expenditure of ₹16,300 crore and an expected investment of ₹18,000 crore by public sector undertakings (PSUs). The Mission focuses on ensuring long-term, sustainable access to key minerals such as lithium, cobalt, nickel, and rare earth elements. As part of this effort, 34 critical mineral blocks are being auctioned during 2024–25 and 2025–26. The Geological Survey of India (GSI) completed 195 exploration projects in FY 2024–25 and initiated 230 new projects in FY 2025–26. The KABIL joint venture has acquired 15,703 hectares in Argentina for lithium mining, with ongoing exploration partnerships in Australia, Chile, and Zambia. Ministry of Mines is also actively engaging with global partnerships such as the Minerals Security Partnership (MSP), the Indo-Pacific Economic Framework (IPEF), and the India–UK Technology and Security Initiative (TSI). These strategic actions aim to develop a diversified, secure, and resilient critical mineral value chain that will support India's clean energy and manufacturing ambitions.

To accelerate the adoption of electric vehicles (EVs), the Government has issued the Guidelines for Installation and Operation of Electric Vehicle Charging Infrastructure (2024) and the Battery Swapping/Charging Stations Guidelines. These frameworks

are designed to promote interoperability, accessibility, and reliability of charging networks. Charging infrastructure has been declared a de-licensed activity, enabling faster DISCOM connections for setups up to 150 kW. A revenue-sharing model of ₹1 per kWh has been established for the allotment of public land for charging stations. To promote efficient usage, a single-part tariff capped at the Average Cost of Supply (ACoS) is applicable till March 2028, with a 30% discount during solar hours. The guidelines also mandate the establishment of charging stations every 1 km in urban areas and every 20 to 100 km along national highways. As of August 2025, India has operationalized 29,277 public EV charging stations and 4,035 battery swapping/charging stations, reflecting rapid progress in building a robust and accessible EV ecosystem.

The Bureau of Energy Efficiency (BEE) has implemented several demand-side measures to enhance energy efficiency across sectors, achieving annual energy savings of 53.6 million tonnes of oil equivalent (Mtoe) in FY 2023–24, equivalent to about 6% of the country's Total Primary Energy Supply (TPES). The Star Labelling Programme has been extended to cover 41 appliances with strengthened Minimum Energy Performance Standards (MEPS), improving end-use efficiency. The Perform, Achieve and Trade (PAT) programme has been expanded, serving as a foundation for the national carbon market framework. BEE has also implemented fuel economy norms for vehicles and developed the Energy Conservation and Sustainable Building Codes (ECSBC) to promote efficient design and operations in new constructions. India aims to achieve annual energy savings of 89.1 million tonnes of oil equivalent (Mtoe) by 2030 and to double the national rate of energy efficiency improvement from 2.5% to 4% by 2030, reinforcing its commitment to sustainable and responsible energy use.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 10)

Agriculture Sector: Unlocking the potential

The Committee recognise the vast untapped potential of India's agriculture sector as a pivotal driver for inclusive economic growth. To unlock this potential, the Committee

emphasize a dual approach: addressing immediate challenges while implementing long-term structural reforms. For short-term stability, the Committee observe that the Government's strategy such as maintaining buffer stocks; regulating market supplies; and subsidizing key food items helps to stabilize food prices and ensure affordable access to essential commodities. Complementing these immediate measures are structural reforms introduced in the Union Budget 2025-26, which include new sector-specific missions aimed at boosting the productivity of pulses, vegetables, fruits, seeds, and cotton. The Committee observe that this integrated approach, blending immediate relief with strategic long-term planning, is crucial for a resilient agricultural sector.

To further enhance agricultural productivity and foster financial inclusion, the Committee recommend the acceleration of digital initiatives. This includes digitizing land records and implementing the agri-stack, a technological framework designed to link farmers' produce with banking and credit systems. This would facilitate transparent and timely disbursement of crop loans. The Committee also urge that these digital tools be expanded nationwide, with local youth being trained to assist in data collection, thereby creating employment opportunities and improving data accuracy. The Committee also believe that promoting diversified crop production, strengthening supply chain infrastructure, and encouraging private sector participation in agri-tech innovation are vital steps. These coordinated efforts can effectively mitigate supply-side inflation, sustainably boost farmers' incomes, and transform agriculture into a powerful engine for India's growth.

Reply of the Government

The Government has approved the Digital Agriculture Mission in September 2024. The mission envisions the creation of a Digital Public Infrastructure (DPI) for Agriculture, including AgriStack, the Krishi Decision Support System, and a comprehensive Soil Fertility & Profile Map, to enable a robust digital agriculture ecosystem in the country. This, in turn, would drive the development of innovative, farmer-centric digital solutions and make reliable crop-related information available to all farmers in a timely manner. In addition, the government also promotes digital initiatives like Kisan Rin Portal that connects 1.89 lakh bank branches and provides farmers with easy access to financial resources, enabling them to the increasing working capital requirements like high-

quality seeds etc. Additionally, the portal supports integrated farming systems by offering loans for diverse agricultural activities. At present, a Memorandum of Understanding (MoU) has been signed with 30 States/UTs for the creation and implementation of the Digital Public Infrastructure. As of 21.07.2025, a total of 6,92,64,808 Farmer IDs have been generated. A digital crop survey has been undertaken in 492 districts for Rabi 2024-25, covering more than 23.5 Crore plots.

To promote the nationwide adoption of digital tools, the Central Government is providing training for State officials and has advised States to adopt a camp-mode approach. Under this, States receive financial assistance of ₹15,000 per camp to organise field-level outreach and mobilise local administrations, ensuring that no farmer is deprived of the benefits of AgriStack. Further, through various camps, the farmers are also made aware about different mobile apps/digital platforms developed on various crops, pest management, livestock and other enterprises of agriculture and allied sectors like, National Pest Surveillance System (NPSS), Digital Dashboard, Kisan Sarathi, etc.

To promote and train local youth Krishi Vikas Kendras (KVKs) organise skill development programmes for the youth of rural areas to take up various enterprises related to agriculture and allied sectors like, mushroom production, fruits and vegetable processing units, horticulture nursery, protected cultivation, fish farming, poultry, goat farming, piggery, duck farming, bee keeping, vermicomposting, etc. The KVKs have formed 709 Farm Science Clubs as one of the extension activities to promote new technologies in agriculture and allied sector. Thus, the government is actively transitioning from input-intensive to knowledge-intensive agricultural systems to enhance sustainability, efficiency, and productivity in the sector.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 11)

Micro, Small and Medium Enterprises (MSMEs)

The Committee recognize the vital role of Micro, Small, and Medium Enterprises (MSMEs) as the backbone of the Indian economy. While appreciating the Government's various efforts to promote their growth, the Committee observe a more

comprehensive, innovation-driven strategy encompassing finance, technology, capacity-building, and infrastructure are required, and therefore, recommend the following:-

(i) Finance and Liquidity:

To improve financial access, the Committee urge continued wide scale promotion of the new digital Credit Assessment Model announced in the July 2024 Union Budget and a wider dissemination of Credit Guarantee Schemes, especially for smaller and vulnerable enterprises. The Committee also suggest that financial institutions should deepen credit penetration in underserved regions and that platforms like Trade Receivables Discounting System (TReDS) and Exchange-Based Factoring (EBF) be strengthened. A major concern, however, is the high interest rates on the TReDS platform, approaching 18% per annum. The Committee, therefore, desire the Government to review these rates and take measures to lower them, such as by working towards increasing competition among financiers, or establishing a benchmark etc.

(ii) Regulatory and Policy Framework

The Committee note the improved asset quality of the MSME sector but remain concerned about the possible disproportionate impact of the strict NPA norms, which could lead to the closure of financially vulnerable MSMEs. The Committee, therefore, desire the Government to conduct a specific, comparative study on the impact of these rules on MSMEs versus large corporations. This would provide a data-driven basis to determine if differentiated rules or support mechanisms are necessary. Furthermore, the Committee suggest exploring new ways to reduce MSME financial vulnerability beyond existing credit guarantee schemes.

(iii) Technology, Formalization, and Market Access

For technology adoption and formalization, the Committee recommend scaling up digital tools such as Udyam Registration, GeM, and MSME SAMADHAAN. The Committee also stress for enhancing the Udyam Assist Platform, strengthening linkages with large corporates and export bodies. Promoting digital literacy, e-

commerce participation, cluster development, and sector-specific policies which are critical for enhancing market access may also be considered. These measures will go a long way in strengthening the MSME.

(iv) SME IPOs

The Committee note the significant growth of SME IPOs and the existing regulatory framework but recommend a multifaceted plan to encourage more SMEs to go public. This includes continued regulatory refinements to simplify disclosure norms and a focus on enhancing post-listing liquidity on SME platforms. The Committee also suggest launching targeted awareness campaigns and capacity-building programs to educate SMEs on the benefits of going public and to guide them through the process.

Reply of the Government

(i) Finance and Liquidity: The new Digital Credit Assessment Model (announced in the Union Budget 2024-25) was formally launched on 6 March 2025 so that public sector banks (PSBs) can build their in-house capability to assess MSMEs for credit, instead of relying on external assessments based on the scoring of digital footprints of MSMEs. The Ministry of Micro, Small & Medium Enterprises (MMSME) is supporting the lead department i.e. Department of Financial Services (DFS). The credit assessment model for MSMEs based on digital footprints is expected to be a significant improvement over the traditional credit eligibility assessment, which is based solely on asset or turnover criteria. The DFS has also informed that Public Sector Banks have started processing for implementing the Budget announcement.

In addition, the Ministry of MSME implements the Credit Guarantee Schemes for Micro & Small Enterprises. Under this scheme, CGTMSE introduced 'Special Provision for the Informal Micro Enterprises (IME)' under the existing Credit Guarantee Scheme on 14.02.2024. The guarantee covers credit facilities up to Rs. 20 lakh with 85% coverage, with no primary security required, and a guarantee fee of 0.37% for up to Rs. 10 lakh and 0.45% for Rs. 10 lakh to Rs. 20 lakh. Government has taken a number of steps in the recent years to improve the effectiveness of Credit Guarantee Scheme(CGS), like infusion of additional Corpus of Rs 9000 Crore into CGTMSE and 50% reduction in the Annual Guarantee Fees from peak rate of 2% per annum to

0.37% per annum, along with an increase in the guarantee ceiling from Rs 2 Crore to Rs 5 Crore while increasing the extent of guarantee coverage for women owned Micro and Small enterprises (MSEs) to 90%. As a result, the Trust has been able to provide an additional ₹ 56.04 lakh credit guarantees to MSEs, amounting to ₹6.12 lakh crore, within three years from 2022-25, significantly enhancing the credit flow to MSEs. Furthermore, the guarantee ceiling has been enhanced to Rs 10 Crore from Rs 5 crore, effective 1.4.2025, to ensure a steady credit flow to the MSME sector.

MMSME also implements “Raising and Accelerating MSME Performance” (RAMP). The scheme aims at promoting Centre-State collaboration by providing grants to States for the preparation of the Strategic Investment Plan (SIP). RAMP targets to benefit 5.5 lakh MSMEs during the five-year implementation period. More than four lakh MSMEs have been impacted so far.

To enhance the scope for mandatory onboarding on TReDS, MMSME issued a notification in S.O. 4845(E) dated 07.11.2024. Accordingly, all companies registered under the Companies Act, 2013 (18 of 2013) with a turnover of more than Rs. 250 crore (Rupees two hundred and fifty crore rupees only) and all Central Public Sector Enterprises are required to get themselves onboarded on TReDS. A total of 5 TReDS Platforms have received approval.

(ii) Regulatory and Policy Framework: With regard to Non-performing Assets (NPA) norms on MSMEs, Credit-related matters of Regulated Entities (REs), including underwriting, loan drawdown and repayment schedule, are largely deregulated and governed by the terms and conditions of the loan contract between the RE and the borrower. As informed by the Reserve Bank of India (RBI), the classification of an account as a Special Mention Account (SMA) category serves to identify stress in the account early, when the borrower defaults on agreed-upon obligations. An account is classified as NPA only after it remains continuously overdue for more than 90 days, to ensure recognition of elevated credit risk and build-up of adequate provisions. The classification of an account as SMA or NPA does not preclude the lender from continuing to offer credit facilities to the borrower or providing additional/fresh credit facilities to the borrower.

- v. RBI, vide circular dated March 17, 2016, on “Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs)”, has issued guidelines for all Scheduled Commercial Banks covering MSME loans up to ₹25 crore. Banks must identify incipient stress through SMA-0, SMA-1, and SMA-2 classifications and put in place a Corrective Action Plan (CAP) that includes rectification, restructuring, or recovery. Furthermore, any MSME borrower may voluntarily initiate proceedings under the framework if it reasonably anticipates business failure, inability, or likely inability to pay debts, or erosion of net worth to the extent of 50 per cent due to accumulated losses in the previous accounting year.
- vi. Further, within prudential boundaries set by RBI, several regulatory relaxations specifically support MSMEs:
- e) Relaxed capital requirement: MSMEs under the regulatory retail portfolio attract a lower risk weight of 75%, and the exposure threshold for inclusion under the regulatory retail portfolio of scheduled commercial banks has been enhanced from ₹5 crore to ₹7.5 crore, covering MSMEs with turnover up to ₹50 crore.
 - f) Pricing: Banks have been advised to link floating-rate MSME loans to an external benchmark, ensuring a swifter monetary transmission.
 - g) Lower provisioning: Standard asset provisioning norms are 0.25% for Micro and Small Enterprises and 0.40% for Medium Enterprises, lower than for most other sectors.
 - h) RBI has released the Trade Relief Measures, 2025, with a view to mitigating the impact of trade disruptions on exports arising on account of global headwinds. These guidelines essentially permit lenders to grant a moratorium on debt service payments for the period September-December 2025 without any downgrade of the asset classification.
- vii. In view of the above enabling framework, RBI has informed that further regulatory relaxation of NPA norms for MSMEs is not considered necessary at this stage.

viii. Further, an assessment has been carried out by NITI Aayog, in collaboration with the Institute for Competitiveness, in the form of a comprehensive report titled “Enhancing MSMEs Competitiveness in India” addressing the impact of global and domestic economic conditions on the MSME. The report presents a detailed blueprint for unlocking the immense potential of India’s MSMEs through systemic reforms in financing, skilling, innovation and market access.

(iii) Technology, Formalization, and Market Access: For formalizing the enterprises, a revised definition based on the twin criteria of investment and turnover, was adopted to define Micro, Small and Medium Enterprises (MSME) in 2020. Accordingly, for registration of an enterprise having PAN, the Udyam Registration Portal (URP) was launched on 01.07.2020. To formalize Informal Micro Enterprises (IMEs) i.e. Enterprises which are exempt from filing GST, Udyam Assist Platform (UAP) was launched on 11.01.2023. The definition has been further revised in 2025 w.e.f 01.04.2025.

In addition, MSME SAMADHAAN portal facilitates Micro and Small Enterprises (MSEs) in filing their applications regarding delayed payments. The application, once filed, is forwarded automatically online to the concerned Micro and Small Enterprise Facilitation Council (MSEFC) established by the State/UTs as per the provisions of the MSMED Act, 2006. Action on the applications regarding delayed payment is taken by the concerned MSEFC only.

Further, to provide linkage and market integration, the International Cooperation (IC) Scheme facilitates MSMEs to participate in international fairs/exhibitions which give them exposure to global market ecosystem and helps in creating network. The IC Scheme also has the Capacity Building for First Time Exporters component which facilitates MSEs for registration with various Export Promotion Councils for membership.

MSME has also launched ‘Trade Enablement and Marketing (TEAM) Scheme’ on 27.06.2024. The Scheme supports onboarding MSEs onto the Open Network for

Digital Commerce (ONDC) network. The initiative aims to empower 5 lakh MSEs, with a special focus on ensuring at least 50% of the beneficiaries are women-owned enterprises. The TEAM scheme provides assistance in digital catalogue creation; account management etc. and also facilitates linkages with Seller Network Participants (SNPs) to promote market access and help MSEs thrive in digital economy.

National Small Industries Corporation (NSIC)'s e-Country Pavilion on MSME Global Mart fosters international trade partnerships by connecting Indian MSMEs with global markets. It serves as a virtual gateway for cross-border commerce, showcasing trade opportunities, product categories, expanded market access and bilateral trade data between India and partner countries.

Additionally, the MSME Champions Scheme, MSME-Sustainable (ZED) Certification Scheme, MSME-Competitive (LEAN) Scheme and MSME-Innovative Scheme (Incubation, Design & Intellectual Property Rights) provides holistic support to enable MSMEs to become globally competitive.

(iv) SME IPOs: One of the biggest challenges faced by MSMEs in India is the inadequate availability of risk capital. MSMEs have limited access to external equity primarily because only a handful of players provide early-stage equity capital. Even if the equity is made available, the uptake would remain low due to legal structure, smaller investment size, information asymmetry among various stakeholders, low probability of non-linear return etc. The Self-Reliant India (SRI) Fund supports MSMEs in raising equity funds. It enables them to raise equity/equity like financing and aims at listing of MSMEs on Stock Exchanges. The Ministry of MSME in association with other Central Ministries/ Departments/ State Government and Industry Association organized awareness campaigns and capacity building programs to educate SMEs in various parts, focusing Tier 2 and 3 cities in the country.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

(For Comments of the Committee, please refer Para No. 1.10 of Chapter I)

Recommendation (SI No. 12)

Employment and Skill Development

The Committee acknowledge the Government's broad-spectrum and integrated approach toward employment generation, skilling, education and healthcare as foundational pillars of inclusive economic growth. The vision to empower youth, especially in a rapidly transforming economic and technological landscape, is evident through flagship programmes and policy reforms. However, the Committee emphasise the need for better convergence across these interventions, more granular regional implementation and stronger feedback loops between education, skilling, healthcare and employment ecosystems to ensure actual ground level implementation of 'on-paper' schemes and programmes. In this regard, the Committee offer the following aspect-wise recommendations:

(i) Education:

The Committee note the various initiatives to make education more accessible and affordable and the rollout of the National Education Policy (NEP) 2020 which aims to reform India's education system to better align with the demands of the twenty-first century, promoting a more inclusive and progressive approach. The Committee suggest that the implementation of the National Education Policy (NEP) 2020 be synchronised with skilling and industry requirements at the grassroots level. The Committee also suggest that the existing Samagra Shiksha scheme be fortified to ensure the effective implementation of its goals related to universal access to early childhood education, with enhanced focus on teacher training and inclusive pedagogy for differently-abled and first-generation learners. For higher education, a separate initiative should be launched to place greater emphasis on employability. This could be done by mainstreaming internships and hands-on learning across all disciplines, ensuring that academic programs are directly linked to industry needs. This initiative would complement the goals of Samagra Shiksha scheme by creating a seamless transition from school-level foundation to a skilled and job-ready workforce.

(ii) Skill Development:

The Committee believe that a skilled workforce is crucial for India to achieve sustained and competitive economic growth. While acknowledging the Ministry of Skill

Development and Entrepreneurship's (MSDE) efforts through international agreements, the Committee suggest for aligning vocational education and training such as Prime Minister's Internship Scheme (PMIS) with best international practices and standards and more actively engaging industry partners in curriculum design, labor demand mapping, and placement linkages to enhance employability.

(iii) Healthcare:

The Committee note the significant strides in expanding affordable healthcare and health coverage under the National Health Mission such as operationalisation of Ayushman Arogya Mandir, National Ambulance Services, Universal Immunisation programmes etc. However, to ensure the health-employment linkage, the Committee recommend for strategic strengthening and universalization of existing school and college-based health education programs on nutrition, fitness, and mental well-being under the Fit India and Eat Right campaigns. Health services under Ayushman Bharat must be further decentralised *via* mobile health units and telemedicine hubs, particularly in tribal and hilly regions to deepen its impact and address gaps in reach and accessibility.

(iv) Employment Generation:

The Committee acknowledge the Government's various employment generation schemes such as Pradhan Mantri Viksit Bharat Rozgar Yojana (PM-VBRY) and other multi-pronged strategies for job creation, including the Production Linked Incentive (PLI) schemes and infrastructure investments. The Committee also note the significant impact of Artificial Intelligence (AI) on the labor market, presenting both opportunities and disruptions. To maximize employment creation while ensuring AI is labour-augmenting rather than labor-replacing, the Committee recommend that priority be given to labour intensive Micro, Small and Medium Enterprises (MSME) clusters under the Make in India and Gati Shakti initiatives. Furthermore, the Committee advocate for a strategic focus on the tourism sector, as promoting certified hospitality training, eco-tourism, and medical tourism is crucial for employment growth, particularly in light of recent Budget announcements for the sector. To bridge the gap between job supply and demand, the Committee emphasize the establishment of a centralized Labour Market Information System (LMIS). Further, the Committee also

feel that Labour Force Participation Rate (LFPR) should be benchmarked along with roadmap for Viksit Bharat 2047 on lines of advanced economies.

To navigate the challenges posed by AI, the Committee suggest that skilling initiatives be agile and modular, with curriculum co-created with industry partners. The Committee also recommend strengthening and upgrading National and International Skill Centres and Industrial Training Institutes (ITIs) in Tier 2 and Tier 3 cities to enhance global employability and foster equitable growth. To ensure inclusivity, AI skilling programs should be multilingual and designed to address digital access disparities across gender, regions, and socio-economic backgrounds.

Reply of the Government

School education inputs indicate a decisive shift from fragmented schemes to a continuum-based approach that prioritizes foundational learning, multilingualism and inclusion, while tying these to structured teacher development and assessment systems. The consolidation of ECCE through NCF-FS, NIPUN Bharat, Balvatika and co-location of Anganwadis with schools, combined with tools like Jaadui Pitara/e-JP, NISHTHA and PARAKH, suggests that NEP 2020 is being operationalized with clear instruments and early evidence of improved FLN outcomes, including better performance in rural and government schools at Grade 3. Simultaneously, the rapid scale-up of school-based skill education from 10 “*bagless days*” and Kaushal Bodh at middle grades to NSQF-aligned courses, hub-and-spoke models and PM SHRI saturation, shows that employability is now being built into the school pipeline, though inter-state variation in implementation remains significant.

On the higher education side, the picture is of a system being rapidly re-architected around flexibility, credits portability, and employability, using NCrF/NHEQF, large-scale adoption of SWAYAM/SWAYAM Plus, and a strong push for internships, apprenticeships and industry-linked programmes. The Professor of Practice scheme, Joint/Dual degree regulations, expansion of NATS 2.0 and the Single Unified Internship Portal, alongside the planned AI Centres of Excellence, directly respond to the Committee’s call for synchronising NEP with skilling and industry needs and for a dedicated employability push in HEIs. Together with school-level reforms, these

measures point to an emerging, though still work-in-progress, ecosystem that attempts to create a seamless school-to-work continuum, but will require closer attention to quality of delivery, inclusion of first-generation learners and persons with disabilities, and the last-mile capacity of states and institutions to actually use these frameworks and portals as intended.

Under the Government of India's Skill India Mission (SIM) , the Ministry of Skill Development and Entrepreneurship (MSDE) delivers skill, re-skill and up-skill training through an extensive network of skill development centres/ institutes etc. under various schemes, viz. Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Jan Sikhshan Sansthan (JSS), National Apprenticeship Promotion Scheme (NAPS) and Craftsman Training Scheme (CTS) through Industrial Training Institutes (ITIs), to all the sections of the society across the country. The SIM aims at enabling youth of India to get future ready, equipped with industry relevant skills.

The training programmes offered under the schemes of MSDE are developed in collaboration with industries, keeping in view market demands. 36 Sector Skill Councils (SSCs), led by industry leaders in the respective sectors, have been set up by National Skill Development Corporation (NSDC) which are mandated to identify the skill development needs of respective sectors as well as to determine skill competency standards. NSDC, under the Market led program, provides support to training providers that collaborate and align skill courses with industry demand.

From 2021-24, NHM engaged over 12 lakh additional healthcare workers, reduced maternal mortality by 83% since 1990 (surpassing global declines), and expanded Ayushman Arogya Mandirs to 1.72 lakh centers in FY24, alongside 220 crore COVID-19 vaccine doses administered. These strides have notably lowered infant mortality from 40 per 1,000 live births in 2013 to 25 per 1,000 live births in 2023 and bolstered disease control efforts like TB incidence reduction 37 per 1,00,000 population in 2015 to 195 in 2023.

The recommendations for strengthening school and college-based health education under Fit India and Eat Right campaigns, alongside decentralizing Ayushman Bharat services via mobile health units and telemedicine in tribal and hilly areas, merit strong endorsement to forge a robust health-employment linkage. Universalizing nutrition,

fitness, and mental well-being programs can cultivate a healthier future workforce, while targeted expansions—building on existing 1,424 Mobile Medical Units and e-Sanjeevani's 43.1 crore consultations would bridge accessibility gaps, enhance preventive care, and promote equitable outcomes in underserved regions.

On the skilling and employment front, the Ministry is advancing initiatives such as the National Career Service (NCS) Portal for job matching and career guidance, overseeing a network of 14,000+ Industrial Training Institutes (ITIs) that bridge skill gaps across urban and rural areas. The National Council for Vocational Education and Training (NCVET) ensures qualification standards, and the establishment of 30 Skill India International Centres and multiple National Centres of Excellence (NCoEs)—including a new Advanced Manufacturing NCoE in Chennai (in partnership with Singapore) and a forthcoming mining NCoE in Bhubaneswar (in partnership with Australia)—reflects ongoing reforms to align training with industry needs and foster global employability.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

(For Comments of the Committee, please refer Para No. 1.13 of Chapter I)

Recommendation (SI No. 13)

Labour Market : Female Labour Force Participation

The Committee acknowledge the significant rise in the female labor force participation rate (FLFPR), which increased from 23.3% in 2017-18 to 41.7% in 2023-24. This growth is attributed to the effectiveness of government initiatives, including Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Stand-UP India, and Mission Shakti. To ensure the continued growth of FLFPR, the Committee recommend continued expansion and effective implementation of these initiatives, with a particular emphasis on scaling up vocational training through Women's ITIs and regional institutes. The Committee also commend the progressive labor law reforms under the Code on Social Security, 2020, which provides for extended maternity leave, mandatory crèche facilities, safe night shifts, and ensures wage parity under the Equal Remuneration Act. The implementation of the Code on Social Security, 2020, however, faces delays. The power to make rules under the new

Labor Codes is shared between the Central and State Governments. The Central Government has already pre-published its draft rules, but four States/UTs—West Bengal, Lakshadweep, NCT of Delhi, and Tamil Nadu—have yet to pre-publish rules under one or more Codes. The Committee, therefore, urge the Central Government to actively pursue these States as the expeditious implementation of these reforms is crucial for fully realizing their intended benefits and reinforcing these critical legislative gains.

Reply of the Government

Labour, being a Concurrent List subject in India, vests the power to frame rules for the four Labour Codes, including the Code on Social Security 2020 in both Central and State Governments. Till date, 33 States and Union Territories have pre-published draft Rules under the Social Security Code, with only West Bengal, Lakshadweep, and Tamil Nadu yet to do so. The Ministry of Labour & Employment is consistently engaging with these remaining regions and has conducted six regional meetings in 2024, along with recent high-level workshops, urging all States/UTs to expedite rule pre-publication.

The National Career Service (NCS) portal serves as a comprehensive digital platform connecting institutions, employers, and job seekers, offering not only employment opportunities but also facilitating job fairs and career-related services. Special features and dedicated outreach, such as "Jobs for Women," encourage women's participation in the workforce. Under the Skill India program, PMKVY 4.0 ensures inclusivity by providing boarding, lodging, transport, and conveyance support for women and other special groups, while also promoting skilling through special projects for women, SC/ST candidates, and marginalized groups. As of 31 August 2025, women accounted for 55% of the 27.02 lakh candidates trained under PMKVY 4.0.

To further boost skills and employability, the Craftsman Training Scheme (CTS), administered across approximately 14,559 ITIs (including 3,316 government and 11,243 private institutes), offers training in 169 trades, with seven trades specifically tailored for women. Courses last one year and require a minimum of 8th or 10th pass qualification. Enrolment under CTS has consistently grown, with female participation

rising from 1.76 lakh in 2022 to 2.10 lakh in 2024, reflecting ongoing efforts to foster inclusive skill development nationwide.

Besides, as part of the whole-of-government approach, a pilot project titled NAVYA (Nurturing Aspirations through Vocational Training for Young Adolescent Girls) has been launched under PMKVY 4.0 in collaboration with the Ministry of Women and Child Development (MWCD). The pilot project targets 3,850 girls across 27 districts in 19 States, out of which 288 have been trained and 481 are undergoing training as of 31.08.2025.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 14)

Poverty and Equitable Growth

The Committee note the various strides being made in alleviating poverty, as reflected by improvements in key indicators such as the rise in average Monthly Per Capita Expenditure (MPCE), narrowing urban-rural consumption gaps and a declining Gini co-efficient signalling reduced inequality in both rural and urban areas. The Committee also note that as per NITI Aayog's Discussion Paper 'Multidimensional Poverty in India since 2005-06', 24.82 crore people have escaped multidimensional poverty between 2013-14 to 2022-23. The Committee attribute this success to inclusive development policies, including programs like the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), which provides a vital safety net of subsidized food support to protect vulnerable families from slipping back into poverty and to ensure nutritional security, all guided by the principle of 'Sabka Sath, Sabka Vikas, Sabka Vishwas, Sabka Prayas.' To sustain this progress, the Committee recommend continued focus on expanding social welfare coverage and improving targeting accuracy through enhanced data integration and technology-enabled delivery mechanisms. The Committee also suggest regular monitoring and evaluation of poverty reduction programmes to ensure responsiveness to emerging challenges and demographic shifts, thereby fostering equitable growth for all vulnerable groups.

Reply of the Government

As recommended by the Standing Committee on Finance (SCOF), Government of India continues its focus on expanding social welfare coverage and improving targeting accuracy through data integration and technology-enabled delivery mechanisms.

The Government's focus on inclusive growth is reflected in its commitment to "Sabka Saath, Sabka Vikas" to reduce poverty and inequality, provide social security, income generation and livelihood options, and improve the quality of life of the vulnerable sections of the population in the country.

With these objectives, the Government is implementing a large number of targeted programmes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Awas Yojana (PMAY), Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM), National Social Assistance Programme, Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY), PM Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Atal Pension Yojana, Pradhan Mantri Mudra Yojana, PM-JANMAN, Umbrella Programme for Development of Minorities and Other Vulnerable Groups; PM-KISAN, PM Fasal Bima Yojana, PM Vishwakarma Scheme, etc. Further, the Government has implemented various programmes, including Jal Jeevan Mission, Swachh Bharat Abhiyan, PM Ujjwala Yojana, PM Saubhagya Yojana, Ayushman Bharat, Pradhan Mantri Jan-Dhan Yojana, etc., to bring about overall improvement in the quality of life of the people through universal access to basic amenities.

One of NITI Aayog's flagship initiatives is the Aspirational Districts Programme (ADP), launched to catalyse development in 112 underdeveloped districts by focusing on 49 key indicators across health, education, agriculture, financial inclusion, and infrastructure. This programme has fostered healthy competition among districts through the Champions of Change dashboard, a real-time public data platform that tracks monthly progress and encourages data-driven governance. Building on this success, the Aspirational Blocks Programme was launched in 2023, targeting 500 underdeveloped blocks, with significant progress made through the Sampoornata Abhiyaan campaign saturating critical indicators in many districts and blocks. Using

this model, the Government of India has recently launched PM Dhan-Dhaanya Krishi Yojana targeting 100 districts with low productivity, moderate crop intensity, and below-average credit parameters for enhancing agricultural productivity, adopting crop diversification & sustainable agriculture practices, augmenting post-harvest storage, improving irrigation facilities and facilitating availability of credit.

The committee has further recommended expanding social welfare coverage through technology enabled delivery mechanism. This recommendation is being implemented through various Digital Platforms. India's digital service delivery has advanced through Aadhaar, Jan Dhan Yojana, DigiLocker, UMANG, and JanSamarth. Other initiatives such as AI for Viksit Bharat, Bharatnet, Aadhaar-enabled Payment System, UPI, etc. further strengthen the vision of Digital India. With high mobile penetration, telecom infrastructure has helped extend enrollment, awareness, and grievance redressal to remote areas besides ensuring that the benefits reach the targeted population.

The committee has also suggested the regular monitoring and evaluation of poverty reduction programmes. In this content, it is mentioned that Development Monitoring and Evaluation Office (DMEO), NITI Aayog conducts evaluation of various Central Sector (CS) and Centrally Sponsored Schemes (CSS) of Government of India, including programmes directed at poverty reduction. These evaluation studies use REESI+C+E framework, which includes assessment of the schemes in terms of its relevance, effectiveness, efficiency, sustainability, impact, coherence and equity. Equity dimensions are captured by analyzing the effect of the schemes on various vulnerable groups of the society.

Note: Reply as per inputs from NITI Aayog.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]**

Recommendation (SI No. 15)

Research Development & Innovation

The Committee note that the global spending on research & development (R&D) is around 2.7 percent of the world GDP, while India is far below the global average at

0.65 percent of this expenditure, indicating a pressing need to enhance investment in this critical area. The recent approval of the Research Development and Innovation (RDI) Scheme, which allocates Rs. 1 lakh crore to foster private sector engagement in R&D, particularly in strategic and sunrise domains including digital technologies. The Committee commend the Scheme's comprehensive objectives, which include funding projects at advanced technology readiness levels; acquisition of critical technologies, and establishing a Deep-Tech Fund of Funds, align well with India's vision of economic security, self-reliance and achieving developed nation status by 2047. To ensure the scheme's success, the Committee recommend implementing robust monitoring mechanisms and fostering greater collaboration among academia, industry, and government research institutions. Furthermore, the Committee urge the Government to incentivize R&D investments across all sectors and promote awareness of emerging technologies to accelerate India's transition into a global innovation leader.

Reply of the Government

The Union Cabinet approved the Research, Development, and Innovation (RDI) Scheme on 1 July 2025, with a total outlay of ₹1 lakh crore over six years, including ₹20,000 crore for FY 2025–26. To ensure robust monitoring and oversight, the scheme has established governance mechanisms through the Anusandhan National Research Foundation (ANRF).

RDI scheme will operate through a two-tiered funding structure. At the first level, a Special Purpose Fund (SPF) will be established within the Anusandhan National Research Foundation (ANRF), which will serve as the custodian of the ₹1 Trillion corpus. The Executive Council of ANRF will approve the scheme's implementation guidelines. This fund will channel capital to second-level fund managers who can be Alternative Investment Funds (AIF), Development Finance Institutions (DFI), Non-banking Finance Companies (NBFCs), Focussed Research Organizations such as IIT Research Parks. Financial support decisions will be made by second-level fund managers through investment committees comprising experts from financial, business, and technical domain.

The Governing Board of Anusandhan National Research Foundation (ANRF) chaired by Hon'ble Prime Minister shall provide overall guidance and direction for the RDI scheme. The selection of the second-level fund managers will be carried out by the Executive Council of ANRF, with approval from the Empowered Group of Secretaries chaired by the Cabinet Secretary. The Union Cabinet has approved a detailed Design and Monitoring Framework for robust monitoring of the scheme. The framework among other parameters takes into account technological advancement in terms of number of prototypes, proofs-of-concept, or innovations developed from the funded projects over the years measured relative to the Technological Readiness Level (TRL) of the projects at the time of sanction. Other relevant parameters such as commercial readiness, market readiness, etc will also be considered as well.

The scheme is expected to foster greater collaboration between academia and industry as research done up to TRL Level 1-4 (from basic research to prototype) in academia can be taken up for commercialization by industry/startup through support from the scheme.

The Government has also acted to incentivize R&D investments across all sectors. The RDI Scheme provides financial support to encourage private sector participation in strategic technology areas such as energy security and transition, climate action, deep technologies including quantum computing, robotics, and space, AI applications in agriculture, health, and education, biotechnology, biomanufacturing, synthetic biology, pharmaceuticals, medical devices, and the digital economy. The scheme also supports technologies important for indigenization, strategic, economic, or public interest purposes.

To implement the scheme, the Department of Science & Technology (DST), as the nodal agency, has prepared detailed implementation guidelines, including the selection process for second-level fund managers. In line with Cabinet directions, Special Financial Rules and staffing proposals for operating the Special Purpose Fund under ANRF have been prepared and shared with the Department of Economic Affairs (DEA) and Department of Expenditure (DoE) for concurrence. The Government has taken several measures for awareness including extensive consultation with stakeholders and outreach through social media.

Through these measures, the Government has implemented the Committee's recommendations by establishing robust monitoring mechanisms, fostering collaboration across academia, industry, and government research institutions, incentivizing R&D investments across strategic and emerging sectors, and promoting awareness and adoption of advanced technologies. These initiatives collectively support India's transition towards becoming a global innovation leader.

[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]

(For Comments of the Committee, please refer Para No. 1.16 of Chapter I)

Recommendation (SI No. 16)

Formalistic and Digitisation of Economy

The Committee acknowledge significant progress in the formalization of the economy and digital inclusion, citing initiatives like the Udyam Assist Platform (UAP), eShram portal, GST digitization, and increased EPFO subscriptions. The Committee also note the deepening of India's digital economy through the adoption of UPI and other digital platforms. However, the Committee remains concerned about "digital deserts" in rural and underserved areas. To address this, the Committee recommend that digital infrastructure may be scaled up in remote areas via BharatNet; promoting hyper-local digital innovations; and integrating digital literacy programs like Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) and National Digital Literacy Mission (NDLM) into school curricula. Furthermore, the Committee recommend the Government to periodically study whether formalization leads to sustained income security, social protection, and long-term employment, especially among informal workers. This is crucial for taking corrective measures and ensuring the gains from formalization and digitization translate into inclusive economic development.

Reply of the Government

India's digital transformation extends beyond mere access; it focuses on empowering people and institutions to utilise technology effectively, driving inclusive growth,

strengthening digital governance, and enabling citizens across the country. To provide high-bandwidth capacity internet/broadband connectivity and mobile services to remote & rural villages and islands in the country that currently lack coverage, the Government has taken several steps and initiated various projects. The BharatNet project is being implemented in a phased manner to provide broadband connectivity to all Gram Panchayats (GPs) and villages beyond GPs on demand basis across the country. As of June, 2025, 2,14,325 GPs have been made service-ready under BharatNet project in the country.

The Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) Scheme was aimed at bridging the digital divide through empowering the citizens in rural population in the age group of 14 to 60 years by training them to operate computer or digital access devices (like tablets, smart phones etc.), send and receive emails, browse internet, access Government services, search for information, undertake digital payments etc. and hence enable them to use the Information Technology (IT) and related applications especially Digital Payments to actively participate in the process of nation building. Under the scheme, a total of 6.39 crore individuals were trained across the country against the target to train 6 crore individuals.

The eShram portal, launched by the Ministry of Labour & Employment on 26 August 2021, is a landmark initiative aimed at creating a National Database of Unorganised Workers (NDUW), seeded with Aadhaar. It enables unorganised workers to self-register and obtain a Universal Account Number (UAN), thereby formalising their identity and facilitating access to welfare services and entitlements. Over time, eShram has evolved into a one-stop solution for unorganised workers, integrating access to multiple welfare schemes, employment services and support mechanisms. The portal facilitates interoperability with Central Schemes such as Pradhan Mantri Shram Yogi Mandhan (PMSYM), Pradhan Mantri Suraksha Bima Yojana(PMSBY) and Pradhan Mantri Jivan Jyoti Bima Yojana (PMJJBY) etc. Ensuring that workers are not only registered but also actively connected to Social Security benefits.

eShram is also leveraged to register platform workers in line with the Budget Announcements 2025-26, laying the foundation for extending Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) benefits in the future. Recognising

this new form of employment, the portal offers a simplified registration process and is working to link workers with Social Security Schemes to ensure health coverage and welfare benefits. This will enable secure and streamlined sharing of worker data to support benefit portability, improved visibility of workers' skill, and ensure targeted delivery of services. The integration aims to bridge data gaps, strengthen Centre-State coordination, and improve grassroot implementation of welfare schemes.

In parallel, pilot microsites have been launched in two states, offering user-friendly interfaces, sector-specific updates, and real-time dashboards to support targeted planning and outreach. Based on the success of these pilots, the microsite model is to be scaled to all willing States/UTs, with features such as multilingual access, sectoral resources, and tools for decentralised monitoring and planning. To promote economic empowerment, eShram has been integrated with platforms like the Skill India Digital Hub (SIDH) and National Career Service (NCS), enabling employment linkages, skill development, and financial inclusion. These integrations help enhance workers' employability and support their transition to formal employment. In alignment with infrastructure planning, eShram is also linked with the PM GatiShakti National Master Plan, connecting labour data with GIS-based infrastructure projects. This facilitates spatial analysis to match labour supply with project demand, improving workforce utilisation and reducing delays.

To support data-driven governance, data sharing guidelines have been issued for Central Ministries and State Governments, enabling secure access to eShram data for planning, monitoring, and policymaking. These guidelines ensure responsible data use while maintaining privacy and regulatory compliance. Through these strategic expansions, integrations and innovations, eShram continues to evolve as a cornerstone of India's labour welfare architecture, ensuring that unorganised workers are not only registered but also empowered with access to the full spectrum of social protection, employment opportunities and policy support.

The Committee recommendation that the Government to periodically study whether formalization leads to sustained income security, social protection, and long-term employment, especially among informal workers has been noted. EPFO has

been requested to conduct a study through PDNASS within 3 months and submit ATR in the matter.

[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 02.12.2025]

(For Comments of the Committee, please refer Para No. 1.19 of Chapter I)

Recommendation (SI No. 17)

Conclusion

The Committee observe that the current global trade environment, marked by protectionism and geopolitical volatility, presents a significant opportunity for India. The Committee believe this situation can be leveraged to pursue the guiding principle of "Sabka Saath, Sabka Vikas, Sabka Vishwas, Sabka Prayas" and build an "Atmanirbhar Bharat". This path involves exploring new markets while simultaneously strengthening domestic manufacturing. The Committee highlight the need for sound government finances, with an emphasis on improving the quality of expenditure, particularly capital expenditure, and recognize the pivotal role of AI and data for effective governance. The Committee also note that despite positive corporate earnings, investment in people—through higher wages, reskilling, and mental health support—is essential for increased productivity. The Committee conclude that India's economic roadmap must aim not only for a short-term \$5 trillion economy but also for sustained, inclusive, and resilient long-term growth.

To achieve this vision, the Committee recommend a multi-pronged approach that includes strengthening government finances and nurturing growth engines like innovation and skills development. The Committee also recommend the establishment of an indigenous, government-owned AI server to address privacy concerns, improve efficiency, and harness data for informed policy-making. The Committee further suggest prioritizing rural and urban infrastructure and investing in people. This strategy, focused on balanced energy policies, price stability, and robust support for MSMEs and women entrepreneurs, should aim to drive inclusive and sustainable growth for a self-reliant India.

Reply of the Government

The committee's recommendations are noted. In the current geopolitical environment, which is marked by increasing protectionism, the Government endeavours to reach its goal of 'Atmanirbhar Bharat' and achieve inclusive and sustainable economic growth through a variety of strategies.

The production-linked incentive schemes for 14 key Sectors, with an outlay of Rs. 1.97 Lakh Crore, is a critical initiative of the Government to strengthen domestic manufacturing. With an aim to increase bilateral trade and economic growth by enlarging the scope of market access, the Government has entered into 15 Free Trade Agreements (FTAs) and 6 Preferential Trade Agreements (PTAs) as well as negotiating FTAs with a host of other countries. The fiscal position of the Government is on sound basis and the quality of expenditure is improving. The revenue deficit to fiscal deficit ratio declined from 80 per cent in FY21 on account of Covid-19 pandemic to 36 per cent in FY25. The effective capital expenditure of the Centre, which is the sum of capital expenditure and grants-in-aid given for creation of capital assets, is about 99 per cent of the fiscal deficit in BE 2025-26, signifying that almost all borrowed resources are being deployed for capital asset creation.

In order to enhance India's ability to remain as a major player in global innovation, as a long-term measure, the Government has setup Rs 1 Lakh Crore Research, Development and Innovation (RDI) Fund. The Advanced Manufacturing Technologies (AMT) program of the Government is a significant measure to strengthen the manufacturing sector's research ecosystem by fostering novel technologies, driving industry-relevant R&D, and promoting interdisciplinary collaborations to accelerate innovation and enhance global competitiveness. The Government has also strived to strengthen India's skill development ecosystem through a coordinated approach that links education, training, and industry needs. School-to-work pathways are being redesigned with National Education Policy (NEP) 2020, National Skills Qualification Framework (NSQF)-aligned vocational courses, and internship-based learning to foster innovation and employability early on. Under the Skill India Mission, industry-led training is expanding through 36

Sector Skill Councils, over 14,000 ITIs, and demand-driven programs under PM Kaushal Vikas Yojana (PMKVY), National Apprenticeship Promotion Scheme (NAPS), and Jan Shikshan Sansthan (JSS). To enhance global competitiveness, 30 Skill India International Centers and new National Centers of Excellence in advanced manufacturing and mining are being established as hubs for high-end skill development and technology adoption.

The Government also considers AI compute infrastructure as strategically important for governance, data security, and national capacity building. The Union Cabinet has approved the India AI Mission, with a total budget of ₹10,372 crore, including a dedicated component for India AI Compute Capacity to develop a nationwide AI compute infrastructure with over 10,000 GPUs as a shared public resource. The Union Cabinet approved the ₹10,372 crore IndiaAI Mission on March 7, 2024.^[1] Under National Supercomputing Mission (NSM), so far, 37 supercomputers, with a combined capacity of about 39 Petaflops (PF) have been designed, built and commissioned. India's indigenous PARAM Rudra supercomputers are built using an indigenous software stack and the Rudra series of servers designed, developed and manufactured in the country.^[2] Further, in the domain of AI, India is also in the process of developing indigenous large language models trained on Indian datasets. Four Startups - Sarvam AI, Soket AI, Gnani AI, and Gan AI—have been selected (so far) to build India's foundation models^[3]. The government has taken several steps to create robust physical infrastructure to foster economic growth and development. In the urban domain, driven by the vision to rejuvenate urban infrastructure, AMRUT Mission was launched in 2021 for all Urban Local Bodies (ULBs)^[4]. Some of the other ongoing schemes which are catering to the development of urban infrastructure include PM-eBus Sewa Scheme, Scheme for Special Assistance to States for Capital Investment Scheme (SSASCI) (Urban Planning Reforms) for reforms such as Town Planning Schemes (TPS) and Land Pooling Schemes (LPS)^[5], Urban Challenge Fund (UCF)^[6], Urban Infrastructure Development Scheme for Satellite Towns (UIDSST) [7] and River Centric Urban Planning Guidelines. In rural areas, the government has sought to saturate the availability of basic infrastructure through initiatives such as PM Awas Yojana (Grameen), Pradhan Mantri Gram Sadak Yojana (PM-GSY), Swacch

Bharat Mission (SBM) and Amended BharatNet Program (ABP) for providing broadband connectivity in all Gram Panchayats across India.

To accelerate renewable energy (RE) deployment and achieve the 500 GW target, the Government has introduced a range of strategic and policy interventions, including 100 per cent FDI under the automatic route, waiving of Inter-State Transmission System (ISTS) charges for solar, wind and green hydrogen projects. An annual RE bidding trajectory of 50 GW has been issued for FY 2023–24 to FY 2027–28, assigning implementation responsibilities to agencies such as SECI, NTPC, NHPC, and SJVN. To ensure market demand, Renewable Purchase Obligations (RPOs) and Renewable Consumption Obligations (RCOs) have been implemented until 2030. Together with this, several flagship schemes, such as PM-KUSUM, PM Surya Ghar Muft Bijli Yojana, the National Programme on High-Efficiency Solar PV Modules, the National Green Hydrogen Mission, and the Offshore Wind Viability Gap Funding (VGF) Scheme have been launched. To secure the supply chain of critical minerals vital for renewable and storage technologies, the Government has approved the National Critical Minerals Mission (NCMM). The price stability remains a core objective of the Government, supported by RBI's flexible inflation-targeting framework of 4% ± 2% and coordinated supply-side actions. Retail inflation has declined from 5.4% in 2023–24 to 4.6% in 2024–25 and further eased to an average of 1.8% during April–November 2025. The Micro, Small and Medium Enterprises (MSMEs) were given staunch support by the Government through several measures including Credit Guarantee Schemes for Micro & Small Enterprises and Raising and Accelerating MSME Performance (RAMP), New Digital Credit Assessment Model for MSMEs, MSME SAMADHAAN portal. At the same time, the RBI has provided several regulatory reliefs to MSMEs through frameworks on debt restructuring, relaxed capital requirements, lower asset provisioning rates and trade relief measures. Women entrepreneurs have been given special attention by the Government. Some such measures include the following:- the public procurement policy mandates 3% procurement for women-owned MSEs;^[8] the Sustainable Transport for Rural Entrepreneurs through Electric Bicycles (STREE) distributes electric cycles to women SHGs; and special drives are organised to register women-owned MSMEs.

The Government's focus on inclusive growth is reflected in its commitment to "Sabka Saath, Sabka Vikas" to reduce poverty and inequality, provide social security, income generation and livelihood options, and improve the quality of life of the vulnerable sections of the population in the country. With these objectives, the Government is implementing a large number of targeted programmes such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Awas Yojana (PMAY), Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM), National Social Assistance Programme, Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDUGKY), PM Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Atal Pension Yojana, Pradhan Mantri Mudra Yojana, PM-JANMAN, Umbrella Programme for Development of Minorities and Other Vulnerable Groups; PM-KISAN, PM Fasal Bima Yojana, PM Vishwakarma Scheme, etc. Further, the Government has implemented various programmes, including Jal Jeevan Mission, Swachh Bharat Abhiyan, PM Ujjwala Yojana, PM Saubhagya Yojana, Ayushman Bharat, Pradhan Mantri Jan-Dhan Yojana, etc., to bring about overall improvement in the quality of life of the people through universal access to basic amenities.

**[Ministry of Finance (Department of Economic Affairs)
OM.No.3/14/Ec.Dn/2025 dated 19.12.2025]**

CHAPTER III
OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

-NIL-

CHAPTER IV
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

-NIL-

CHAPTER V
OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH FINAL
REPLIES OF THE GOVERNMENT ARE STILL AWAITED

-NIL-

New Delhi;
11 February, 2026
22 Magha, 1947 (Saka)

Bhartruhari Mahtab
Chairperson,
Standing Committee on Finance

ANNEXURE

Minutes of the Fourteenth Sitting of the Standing Committee on Finance (2025-26). The Committee sat on Wednesday, the 11th February, 2026 from 1500 hrs. to 1515 hrs in Committee Room 62, Samvidhan Sadan, New Delhi.

PRESENT

Shri Bhartruhari Mahtab – Chairperson

LOK SABHA

2. Shri Arun Bharti
3. Shri P. P. Chaudhary
4. Shri Rajesh Naranbhai Chudasama
5. Shri Lavu Sri Krishna Devarayalu
6. Shri Kishori Lal
7. Shri N. K. Premachandran
8. Dr. C. M. Ramesh
9. Smt. Sandhya Ray
10. Prof. Sougata Ray
11. Dr. Jayanta Kumar Roy
12. Shri Balashowry Vallabhaneni
13. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

14. Shri Narain Dass Gupta
15. Shri Yerram Venkata Subba Reddy
16. Shri S. Selvaganabathy
17. Shri Sanjay Seth
18. Dr. M. Thambidurai
19. Smt. Darshana Singh
20. Shri Pramod Tiwari

SECRETARIAT

- | | | | |
|----|----------------------------|---|------------------|
| 1. | Shri Gaurav Goyal | - | Joint Secretary |
| 2. | Smt. Bharti Sanjeev Tuteja | - | Director |
| 3. | Shri Kuldeep Singh Rana | - | Deputy Secretary |
| 4. | Shri Kuldeep Singh Rathore | - | Deputy Secretary |
| 5. | Shri T. Mathivanan | - | Deputy Secretary |

PART I

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up the draft Action Taken Report on action taken by the Government on the Observations/Recommendations contained in their Twenty-Sixth Report (Eighteenth Lok Sabha) on the subject 'Roadmap for Indian Economic Growth in Light of Global Economic and Geopolitical Circumstances' for consideration and adoption.

3. After some deliberations, the Committee adopted the above draft Report and authorised the Chairperson to finalise and present the Report to the Parliament in the Ongoing Session.

PART II

4.	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX.

(The witnesses then withdrew)

Record of the Verbatim Proceedings has been kept.

The Committee then adjourned.

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APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTY-SIXTH REPORT (EIGHTEENTH LOK SABHA) ON THE SUBJECT 'ROADMAP FOR INDIAN ECONOMIC GROWTH IN LIGHT OF GLOBAL ECONOMIC AND GEOPOLITICAL CIRCUMSTANCES' OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS).

	Total	% of total
(i) Total number of Recommendations	17	
(ii) Observations/Recommendations which have been accepted by the Government (<i>vide</i> Recommendations at Sl. Nos.1,2,3,4,5,6,7,8,9,10,11,12,13,14,15,16 and 17)	17	100.00%
(iii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies	NIL	--
(iv) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee	NIL	--
(v) Observations/Recommendations in respect of which final reply of the Government are still awaited	NIL	--
