# *India: A Partner in Progress and Prosperity**

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I am very happy to be here amongst you in this historic location. I thank CII and USISPF for giving me this opportunity to be present here and share my thoughts. Both CII and USISPF have played important roles in fostering partnerships in trade, technology, investment and innovation between India and USA. I compliment them for their efforts in strengthening the bond between two important economies. In my remarks today, I wish to present my perspective on how India is poised to be a dynamic powerhouse of opportunities, innovation, and sustainable growth in the years to come.

The Indian economy has demonstrated remarkable resilience and dynamism. Over the past four years (2021-22 to 2024-25), it has recorded an average annual growth rate of 8.2 per cent. It was and continues to be the fastest-growing major economy in the world. This is a significant step up from the average growth rate of 6.6 per cent in the preceding decade (2010 to 2019).

Even this year, our growth is expected to remain robust at 6.5 per cent. This is despite the tremendous increase in uncertainty and volatility in global financial markets. While this rate is lower than in recent years and falls short of India's aspirations, it remains broadly in line with past trends and the highest among major economies.

No wonder, over the last ten years, we have leapfrogged from the tenth largest economy to the fifth. In terms of purchasing power parity, we are already third. Even nominally, we are poised to become the third largest economy shortly. We aspire to become Viksit Bharat, *i.e.*, a developed economy by 2047, when we complete 100 years of our independence. While there is indeed a scope for India's growth trajectory to rise over the medium to long-term, I am sanguine of our continued success. There are a lot of positive factors that give me this confidence. Let me outline a few of these.

**Policy Continuity and Stability**

First and foremost, we are all aware of the research that shows that political and policy stability with certainty are prerequisites for long-term planning of investments to fuel growth in any economy. Our vibrant democracy has been able to ensure the same, especially since the initiation of economic reforms, despite change of political parties in government. Economic liberalisation focusing on market oriented policies has been a consistent theme across successive governments. While the pace and specific focus of reforms may have varied from time to time, the commitment to a more market-oriented economic structure has not changed. In a phased manner, almost all sectors have been opened up to 100% foreign direct investment (FDI). Almost 90% of the FDI is now under the automatic route. In the recent years, we have introduced a series of liberalisation measures to further open up the economy, particularly in key sectors such as Defence, Insurance, Petroleum & Natural Gas, Telecom, and Space[1].

**Financial Stability**

Second, while policy continuity and stability are prerequisites, they in themselves do not ensure financial stability, which is the bedrock on which a strong economy is built. Financial stability is essential for businesses and people to make expenditure and investment decisions with confidence. India's

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[1] FDI in the Defence sector has been increased to 74 per cent under the automatic route for companies seeking new industrial licenses. The Telecom sector now permits 100 per cent FDI through the automatic route. Similarly, the FDI cap in the Insurance sector was raised from 49 per cent to 74 per cent, and as announced in the Union Budget 2025, it will further rise to 100 per cent - with the condition that the entire premium is invested within India.

financial sector is strong and vibrant, efficiently catering to funding requirements of various economic agents.

*Financial sector:* The banking sector, which continues to meet the large funding requirements of the economy, has demonstrated resilience with healthy balance sheet. The soundness of scheduled commercial banks (SCBs)[2] has been bolstered by strong profitability, lower non-performing assets and adequate capital and liquidity buffers. The health of the non-banking financial companies (NBFCs) sector is also robust. Bank credit growth although moderating in recent months, continues to be in double digits (about 12 per cent) compared to an average of about 10.5 per cent in the last 10 years. We are committed to further enhancing the capacity, responsiveness, and resilience of the banking and non-banking financial sectors with emphasis on balancing regulation with efficiency and stability. While offering excellent opportunities for investment, as private debt to GDP is still on the lower side, the banking sector is poised to meet the investment needs of the society and industry.

*Capital markets:* The Indian capital markets – equity and debt – have increasingly deepened, providing avenues for market-based funding to businesses. India's capital markets have witnessed record participation from retail and institutional investors, channelizing savings into productive investments. Today, there are almost 106 million unique demat accounts and more than 54 million unique mutual fund accounts. The stock market has delivered returns at a staggering 11 per cent CAGR over the last twenty years. With more than 500 listed companies having a market capitalisation of more than 1 billion USD each, the capital market offers enormous opportunities to participate in India's growth story. Indian financial markets offer seamless entry and exit for foreign investors, reflecting the maturity of its economy.

*External sector:* India's forex market has the required depth and liquidity to weather pressures, such as seen in the last few months. India's current account deficit (1.3 per cent of GDP during April-December 2024) remains eminently within manageable limits, supported by robust services exports[3] and private remittances. Even in the recent volatile period, the Indian rupee (INR) has moved in an orderly manner and performed relatively better compared to its peers, reflecting strong macroeconomic fundamentals, adequate foreign exchange buffers and depth of our foreign exchange market.

Gross foreign direct investment (FDI) inflows to India increased to 75.1 billion USD in April-February 2024-25 from 65.2 billion USD during the same period a year ago, reflecting foreign investors continued confidence in the Indian economy. Net FDI inflows, however, moderated during this period due to higher repatriations and outward investment, which is a sign of a mature market where foreign investors can enter and exit smoothly, reflecting positively on the Indian economy. India's foreign exchange buffer continues to be strong. As on April 18, 2025, India's foreign exchange reserves at 686.1 billion USD covers over 11 months of import and 96 per cent of external debt outstanding at end-Dec 2024.

*Price Stability:* The role of price stability in fostering sustainable growth and economic resilience is paramount. Monetary policy in India has played a stabilising role, containing inflationary pressures through coordinated action with fiscal authorities.

[2] The gross non-performing assets (GNPA) of scheduled commercial banks (SCBs) declined to a 12-year low of 2.42 per cent and their capital to risk weighted assets (CRAR) at 16.5 per cent at the end of December 2024.

[3] India's services exports recorded a growth of 13.1 per cent during 2024-25 (April-February), despite global economic order shrouded with heightened uncertainty, on the back of software and business exports. Global Capability Centres (GCC) have emerged a key driver of services exports over the last few years, with notable contribution to India's exports of software and business services. With more than 1,800 GCCs, the sector is expected to expand from $64.6 billion in 2024 to $110 billion by 2030.

India adopted a flexible inflation targeting framework in 2016, which has significantly strengthened policy predictability: inflation levels and volatility have come down markedly, inflation expectations are better anchored, and the transmission of monetary policy has improved. In view of the benign inflation outlook and moderate growth, monetary policy has turned accommodative. We have reduced policy interest rates cumulatively by 50 bps this year since February 2025.

**Fiscal Prudence and Efficiency**

Fiscal policies of the government have a critical role in catalysing and sustaining economic development by ensuring that savings and public funds are used efficiently in productive sectors. India continues to demonstrate fiscal prudence to foster faster and inclusive growth. Its approach to the pandemic is a case in point. India adopted a calibrated approach to the pandemic. Rather than front-loading stimulus packages, as most countries did, India adopted a flexible and agile approach to support the vulnerable sections of society and small firms. This enabled a resilient recovery as it was followed up with enhanced capital expenditure and concerted push to manufacturing. The government is now committed to fiscal consolidation after the pandemic-induced stimulus, maintaining a focus on reducing the fiscal deficit without compromising on expenditure quality *i.e.*, growth inducing spending. The central government's fiscal deficit to GDP ratio has declined from 9.2 per cent in 2020-21 to 4.8 per cent in 2024-25 and it is budgeted to moderate further to 4.4 per cent in 2025-26. This is in stark contrast to rising debt levels in some of the advanced economies. India's public debt to GDP ratio at 81.3 % (in 2024) is reasonable[4], with the world's top 10 economies other than Germany having higher public debt than India. The progressive fiscal consolidation in India has enhanced space for the private sector to raise resources for investment.

Moreover, government spending is better targeted. The quality of expenditure has improved. The share of central government's capital expenditure as a percentage of GDP has surged from 1.7 per cent in 2019-20 to 3.1 per cent in 2024-25. Including the capital grants in aid to the states, it has increased to 4.3 per cent in 2025-26.[5] The Union government's borrowings this year are budgeted to be lower than the effective capital expenditure, signifying their use for productive purposes which have a higher multiplier effect. Various measures have been taken to improve outcomes of government expenditure. One such example is the Direct Benefit Transfer, which is estimated to have brought savings of about 40 billion USD (until March 2023)[6]. Digitalisation of various government programmes like public distribution scheme with Aadhar as the backbone have also resulted in huge savings. Just in time flow of funds to State government has helped the Union government improve its cash flow management.

**Thrust on Infrastructure**

Infrastructure is important for economic development. Over the last several years, the country led by the central government has invested heavily in physical infrastructure. It is also incentivising capital expenditure by state governments, especially in urban development, power and tourism. From highways to renewable energy grids to sea ports, airports and railways[7], India is building the backbone to support sustainable and inclusive growth for decades to come. This is not only improving connectivity but also

[4] It is projected to decline to 75.8 percent in 2030 (IMF World Economic Outlook, April 2025).

[5] 4.3 per cent in 2025-26 (Budget Estimates).

[6] https://dbtbharat.gov.in/static-page-content/spagecont?id=18

[7] Infrastructure sector has received priority attention with National Infrastructure Pipeline (NIP), National Monetisation Pipeline (NMP) and PM Gati Shakti as the flagship programmes. The National Highway network expanded by 60 per cent to 1,46,145 km in 2024. PM Gati Shakti is streamlining over ₹6.38 lakh crore worth of road projects for seamless logistics. Railways have launched 136 Vande Bharat trains and identified 1,337 stations for upgradation under the Amrit Bharat Station Scheme. Metro networks have grown from 248 km to 1,011 km across 20+ cities, while operational airports increased from 74 to 159. India's aviation sector has witnessed significant expansion with 545 routes operationalised under the Ude Desh ka Aam Nagrik (UDAN), aimed at improving air connectivity. With 158 operational Airports and the construction of 84 airports over the last decade, India's aviation network is rapidly evolving.

creating multiplier effects, stimulating demand across various sectors. This is also bringing down logistics cost for businesses considerably and improving productivity and competitiveness.

**Renewed Focus on Manufacturing**

Manufacturing is key to inclusive development and employment. We are focused on a Atmanirbhar Bharat, that is, a self-reliant India. India's manufacturing sector is gaining momentum and emerging as a potent sector for investment, with support from policy measures such as the Production-Linked Incentive (PLI). The PLI targets 14 diverse sectors[8]. This is showing results. Mobile phone exports have increased by almost 10x[9] from 2018-19 to 2023-24. Similarly, exports of solar cells and modules have jumped 20x[10] in the same period.

Proactive government policies also present unparalleled opportunities for investment in sunrise sectors such as space, semiconductors, renewable energy, electric vehicles (EVs), *etc.* India is positioning itself as a critical link in global supply chains, encouraging local sourcing and manufacturing. It is also becoming a global SaaS innovation hub, especially in generative AI.

**Demographic Dividend**

With one of the youngest populations having a median age of 28 years[11], India is poised to harness the demographic dividend. To fully exploit the potential, Government has launched a number of programmes for skilling, entrepreneurship and apprenticeship. This will enhance productivity and growth. Labour market conditions in India are showing positive trends[12], particularly with the increasing participation of women in the workforce. The Labour Force Participation Rate (LFPR) has increased to 60.1% in 2023-24 from 57.9% in the previous year and 49.8 in 2017-18.

**Innovation**

To take further advantage of the huge human resources, we need to move further up the value chain. It is encouraging to note that India is fast becoming a nation of job creators rather than job seekers. When I left college, getting a job in a MNC was the preferred choice. None took up the challenge of starting a venture of his own. In recent years, however, a large number of engineering and management graduates are taking to entrepreneurship and start-ups. As a result of the entrepreneurship culture that this generation is embracing, we have about 150,000 recognised start-ups. We have a vibrant start-up ecosystem with government support coming in through programmes like Start Up India, Digital India and Atal Innovation Mission. We are home to the third largest number of unicorns, some of which are in high tech areas like Artificial Intelligence, fintech, and renewable energy, to name a few. In the Global Innovation Index, India has risen from a rank of 81 in 2015 to 39 in 2024. It is first among lower middle income countries.

**Continued Focus on Ease of Doing Business and Reforms**

The growth is steered by robust economic reforms which have strengthened the foundations for long-term economic prosperity. These reforms include the flexible inflation targeting framework (FIT), the insolvency and bankruptcy code, goods and services

[8] Mobile, pharmaceuticals, medical devices, automobile and its components, solar PV, electric vehicles, and advanced chemistry cell (ACC) batteries.

[9] 1.6 billion USD in 2018-19 to 15.6 billion USD in 2023-24 and 18.3 billion USD in 2024-25 (Apr 2024 - Jan 2025).

[10] From 0.1 billion USD in 2018-19 to 2 billion USD in 2023-24 (1 billion USD for the period April-January 2024-25).

[11] Nearly 65 per cent of India's population is under the age of 35, with a median age of just 28 years, significantly lower than the other major emerging economies.

[12] The unemployment rate has improved to 3.2 per cent during 2023-24 from 6% in 2017-18. LFPR for women increased to 41.7 per cent from 23.3 per cent over the same period. Formal employment has further strengthened as evidenced by the Employees' Provident Fund Organisation (EPFO) payrolls data - net payroll additions rose by 4.2 per cent in Q3:2024-25.

tax (GST), consolidation of public sector banks, rationalisation and reduction in corporate tax. The Indian government has repealed about 1,500 obsolete laws. 180 provisions have been decriminalised and more are planned. These reforms along with conducive policy environment have improved efficiency[13], productivity, and competitiveness across different sectors.

The government is committed to further reduce regulatory burden, as is evident from the budget announcement earlier this year to set up a high level committee for regulatory reforms in all non-financial sectors. She highlighted the role of reforms as the fuel for growth. The Union Budget aims to initiate transformative reforms across six domains – taxation, power sector, urban development, mining, financial sector and regulatory reforms. Moreover, an Investment Friendliness Index of States will be launched to further the spirit of competitive cooperative federalism. A comprehensive review of the Income Tax Act, 1961 to make it concise, lucid and easy, and thereby reduce disputes and litigations, is also underway. The Reserve Bank too is committed to ensure that our regulations balance the objectives of stability and efficiency. For this purpose, the regulatory review authority (RRA) will further expand, deepen and expedite the process of reviewing and rationalising regulations.

**Digitalisation**

India's digital transformation, recognised worldwide, has emerged as a significant enabler of ease of doing business and ease of living and an important driver of economic growth and innovation. Conducive government and regulatory policies, increasing digital penetration, and a young and aspiring demography have fostered this vibrant ecosystem. The government has invested in a number of digital building blocks like the JAM trinity, UPI, GSTN, ONDC, Digilocker. Digitalisation is improving efficiency, raising productivity, enhancing formalisation and promoting inclusiveness in the economy. Take any domain of the government and one will find that digitalisation and e-governance have enhanced turnaround times, reduced costs and improved customer satisfaction levels.

I was here last year in one of the sessions to speak about how, among other measures, digitalisation in the department of revenue not only enhanced the tax buoyancy but also improved customer experience and processing of returns. Tax buoyancy for personal income tax in the last four years[14] was 2.1. On an average, it now takes less than 10 days to process income tax returns in India: down from 93 days in 2014. In contrast, in some countries, it still takes months to get their tax refunds.

The Reserve Bank is also promoting and nurturing digitalisation and innovation. The Unified Payments Interface (UPI) is one such example. Processing about 18 billion transactions in a month, it is setting global benchmarks in seamless, secure, real-time systems. UPI has demonstrated how public digital infrastructure can empower private sector innovation for promoting financial inclusion. Our encouragement and support extend beyond the payment space to the broader fintech ecosystem through various initiatives including the regulatory sandbox. The Unified Lending Interface (ULI) which is currently in a pilot phase has the potential to transform the lending space. The ULI is expected to transform lending and access to finance just as UPI did to payments.

**Conclusion**

To conclude, India continues to be an economy supported by stability – monetary, financial and political; policy consistency and certainty; congenial

[13] In the Global Competitiveness Index 2024, India ranks 39th among 67 economies, reflecting improved business efficiency.

[14] Personal Income Tax Buoyancy: 2021-22: 2.29; 2022-23:1.42; 2023-24: 2.61; 2024-25: 1.94.

business environment; and strong macroeconomic fundamentals. At a time when many advanced economies are facing economic headwinds and a deteriorating economic outlook, India continues to offer strong growth and stability making it a natural choice for investors seeking long term value and opportunity. Furthermore, our strong domestic demand[15] and relatively lower dependence on exports cushions the Indian economy from external spillovers.

India offers a policy ecosystem that is transparent, rule-based, and forward-looking – an ideal setting for long-term and productive investments. As the world's fastest-growing major economy, India is not just a destination for investment – it is a partner in prosperity. Together, we have the chance to shape the future – not only for India but for a better world. I invite you to be a part of this journey, to collaborate, innovate, and invest in India.

Thank You.

[15] Domestic demand contributes about 90% to GDP whereas merchandise exports contribute about 12 % of GDP which is much lower compared to some of our peers.