Standing Committee Report Summary

Roadmap for Indian Economic Growth

- The Standing Committee on Finance (Chair: Mr. Bhartruhari Mahtab) submitted its report on 'Roadmap for Indian Economic Growth in Light of Global Economic and Geopolitical Circumstances' on August 19, 2025. India's real GDP growth rate for financial year 2024-25 is estimated to be 6.5%. The Committee noted that the Indian economy will need to grow by 8% in real terms every year at least for a decade to achieve sustained prosperity. This will require investments as a share of GDP to increase from 31% to around 35%. The Committee identified 12 factors for economic growth, some of which are covered below. Key observations and recommendations of the Committee include:
- **Manufacturing and trade:** The Committee observed that India has an opportunity to become a global manufacturing hub. Currently, India has a 2.8% share in global manufacturing. The Committee made the following key recommendations: (i) enhance focus on manufacturing competitiveness and diversification, (ii) increase investment in research and development, (iii) negotiate bilateral and regional trade agreements, (iv) expand support for high-technology sectors under Production Linked Incentive schemes, and (v) diversify investor base and promoting strategic sectors to attract FDI.
- **Small and medium industries:** The Committee noted that the MSME sector has seen rising credit flow with improved asset quality. It recommended various measures to promote the sector. These include: (i) promoting digital credit assessment model, (ii) deepening credit penetration in underserved regions, (iii) scaling up of digital tools to enhance market linkages, and (iv) simplifying disclosure norms for listed MSMEs. Labour-intensive MSMEs should be given priority to generate employment.
- **Agriculture sector:** The Committee made the following recommendations to target supply-side inflation and boost farmers' incomes: (i) promote crop diversification, (ii) strengthen supply chain infrastructure, and (iii) encourage private sector participation in agri-tech.
- **Price stability:** The Committee observed that inflation is expected to be moderate in the near-term because of effective policies and improved supply conditions. It noted that India has diversified its petroleum import basket to address oil price volatility. To ensure price stability in the economy, it made the following key recommendations: (i) strengthen supply chains by investing in cold storage infrastructure, decentralised procurement, and digital market linkage, (ii) implement regulatory reforms announced in the Union Budget 2025-26, and (iii) ensure simplification of compliances under the Jan Vishwas Bill 2.0 to reduce business cost.
- **Banking sector and credit availability:** The Committee observed that the banking sector in India remains strong and well-capitalised for sustained credit growth. The gross non-performing assets of Scheduled Commercial Banks were at a 13-year low of 2.5% as of December 2024. The Committee highlighted the outpacing of bank credit growth over deposit growth as a structural challenge. This may lead to medium-term liquidity risks and high funding costs. To address these issues, the Committee made the following recommendations: (i) encourage deposit mobilisation through digital initiatives, (ii) strengthen risk management frameworks, and (iii) extend scenario-based stress testing to non-banking finance corporations and cooperative banks.
- **Physical and digital infrastructure:** The Committee noted that the central government has increased capital expenditure between 2017-18 and 2025-26. The expenditure has been directed towards sectors such as roads, railways, maritime connectivity, and public digital infrastructure. Challenges pertaining to high logistics costs, lengthy environmental clearance process, and multimodal connectivity remain. The Committee also identified challenges with the development of digital infrastructure. These include the threat to cyber security, digital literacy gaps, and unequal access to technology. The Committee recommended boosting capital expenditure, while maintaining fiscal discipline.
- **Energy transition:** The Committee noted that harnessing renewable energy in India is constrained by a lack of viable storage technologies, high storage costs, and limited access to essential minerals. It recommended: (i) accelerating investments in diversified renewable energy sources, (ii) strengthening mineral supply chains, and (iii) promoting transition to electric vehicles.

Shania Ali
shania@prsindia.org

August 29, 2025

PRS Legislative Research ▪ Institute for Policy Research Studies
3rd Floor, Gandharva Mahavidyalaya ▪ 212, Deen Dayal Upadhyaya Marg ▪ New Delhi – 110002
Tel: (011) 23234801, 43434035 ▪ www.prsindia.org