

Ministry of Finance



PREFACE OF ECONOMIC SURVEY 2025-26

STATE REQUIRES A DEEPER SHIFT TOWARDS
“ENTREPRENEURIAL POLICY MAKING UNDER
UNCERTAINTY”: ECONOMIC SURVEY

INDIA MUST RUN A MARATHON AND SPRINT
SIMULTANEOUSLY, OR RUN A MARATHON AS IF IT WERE A
SPRINT: ECONOMIC SURVEY

ECONOMIC SURVEY EMPHASISES OPTIMISM THAT THE
STATE MACHINERY IS CAPABLE OF REINVENTING ITSELF
AND ITS MISSION, SHIFTING FROM REGULATION AND
CONTROL TO ENABLING, GIVEN THE DEREGULATION
AND SMART REGULATION INITIATIVES UNDERTAKEN BY
STATES IN LAST YEAR

ECONOMIC SURVEY BRINGS TOGETHER THE THREE
ELEMENTS – STATE CAPACITY, THE SOCIETY, AND
DEREGULATION – IN THE PURSUIT OF VIKSIT BHARAT
AND GLOBAL INFLUENCE

IN THE BACKDROP OF GLOBAL ENVIRONMENT BEING
RESHAPED BY GEOPOLITICAL REALIGNMENTS
INFLUENCING INVESTMENT, SUPPLY CHAINS AND
GROWTH PROSPECTS, INDIA STANDS TO GAIN
IMMENSELY BY BUILDING RESILIENCE, INNOVATING
RELENTLESSLY, AND STAYING THE COURSE TOWARD
VIKSIT BHARAT: ECONOMIC SURVEY

ECONOMIC SURVEY FY 2025-26 EDITION, WITH REARRANGED 17 CHAPTERS, IS NOW BASED ON THE DEPTH AND TIME-RELEVANCE OF NATIONAL PRIORITIES.

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The Preface of Economic Survey 2025-26, tabled in the Parliament by Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman, argues that the State requires “a deeper shift towards entrepreneurial policy making under uncertainty: a state that can act before certainty emerges, structures risk rather than avoids it, learns systematically from experimentation, and corrects course without paralysis.”

The Preface states that this is not an “abstract aspiration” and further states that “India has already begun to see elements of this approach in practice: from the creation of mission-mode platforms in semiconductors and green hydrogen, to the restructuring of public procurement to enable first-of-a-kind domestic innovation, and to state-level deregulation compacts that replace inspection-based control with trust-based compliance. These are early signals of what an entrepreneurial state looks like when it moves from compliance to capability.”

The Economic Survey takes note of back-to-back challenges that the Indian economy has faced and remained resilient throughout the post-Covid period, especially India’s strong macro economic performance. It also took note of the policy and economic reforms carried out by the Government in the backdrop of the tariffs imposed by the United States in April 2025. Given the urgency of the reforms, “A sense of dynamism has taken hold in the government. Fast forward five months, and India is now anticipating a full year real growth rate of over 7%, with another year of real growth at or near 7%.”

The paradox of 2025, the Economic Survey states, is that India’s strongest macroeconomic performance in decades has collided with a global system that no longer rewards macroeconomic success with currency stability, capital inflows, or strategic insulation.

Noting the external global environment vis-à-vis domestic aspirations, the Economic Survey states, “India is a country of 145 crore people aspiring to become a richer country within a generation, within a democratic framework. India’s size and democracy preclude the possibility of templates worthy of emulation. With the global dominant power rethinking its economic and other commitments and priorities, throwing global trade into a welter of uncertainty and global frictions mounting and faultlines widening, India’s economic ambitions are confronting powerful global headwinds. Those same forces can be turned into tailwinds if the State, the private sector, and households are willing to align, adapt, and commit to the scale of effort that the moment demands. The task will be neither simple nor comfortable — but it is unavoidable.”

On a realistic note, the Economic Survey posits three possible global scenarios for 2026:

1. A lingering concern that the negative effects of the ongoing global political and economic turmoil may manifest with a lag. These developments suggest a world that is less coordinated, more risk-averse, and more exposed to non-linear outcomes with a narrower

- margin of safety. This scenario is less about continuity and more about managed disorder, with countries operating in a world that remains integrated yet increasingly distrustful.
2. The probability of a disorderly multi-polar breakdown rises materially and cannot be treated as a tail risk. Under this outcome, strategic rivalry intensifies... Trade becomes increasingly explicitly coercive, sanctions and counter measures proliferate, supply chains are realigned under political pressure, and financial stress events are transmitted across borders with fewer buffers and weaker institutional shock absorbers. In this world, policy becomes more nationalised, and countries face sharper trade offs between autonomy, growth, and stability.
 3. The risk of a systemic shock cascade in which financial, technological, and geopolitical stresses amplify one another rather than unfolding independently. While this remains a lower-probability scenario, its consequences would be significantly asymmetric. The macroeconomic consequences could be worse than those of the 2008 global financial crisis.

In all three scenarios, the Economic Survey argues, India is relatively better off than most other countries due to its strong macroeconomic fundamentals, but this does not guarantee insulation. The country benefits from a large domestic market, a less financialised growth model, strong foreign exchange reserves and a credible degree of strategic autonomy. These features provide buffers in an environment where financial volatility is imminent and geopolitical uncertainty is permanent.

Similarly, the Economic Survey states, “The three scenarios pose a common risk for India: disruption of capital flows and the consequent impact on the rupee. Only the degree and the duration will vary. In a world of geopolitical turbulence, this may not be confined to a year but could be a more enduring feature.”

RUNNING A MARATHON AND SPRINT AT THE SAME TIME

In response, the Economic Survey argues that India needs to generate sufficient investor interest and export earnings in foreign currency to cover its rising import bill, as, regardless of the success of indigenisation efforts, rising imports will invariably accompany rising incomes.

The Economic Survey advocates that the Economic policy must focus on the stability of supply, the creation of resource buffers, and the diversification of routes and payment systems, and stated that the appropriate stance for 2026 is, therefore, one of strategic sobriety rather than defensive pessimism. The Survey argued that the external environment will require India to prioritise both domestic growth maximisation and shock absorption, with a greater emphasis on buffers, redundancy, and liquidity.

Put differently, the Survey unequivocally states “India must run a marathon and sprint simultaneously, or run a marathon as if it were a sprint.”

INDIA’S CHALLENGE: POLICY AND PROCESS REFORMS

In a world of compounding shocks and geopolitical strain, the Survey stated that India’s challenge is not merely to design better policies, but to ensure that rules, incentives and administrative reflexes serve national resilience. Policy reforms do matter. Process reforms arguably more so. Processes define the interaction between the government and the governed. So, they make all the difference to the success or failure of policy intent and reforms. The signs are very promising. The deregulation and smart regulation

initiatives undertaken by states in the last year, in particular, provide ample grounds for optimism that the state machinery is capable of reinventing itself and its mission, shifting from regulation and control to enabling.

Together with the Union Government's economic reforms and other policy initiatives, this signals that the state understands the significance of the challenge and the need to rise to it, the Survey argued.

The Economic Survey brings together the three elements – state capacity, the society, and deregulation – in the pursuit of *Viksit Bharat* and global influence. The Survey states that ultimately, in a democracy, the state is the agency empowered to deliver and entrusted with the responsibility for development. For it to deliver on that goal, it must upskill and reskill and be mentally prepared to play a different game because the terrain is different and even hostile, the old rules no longer apply, and new rules are not yet in place.

A possible eruption of multiple global crises, which presents an opportunity for India to play a meaningful role in shaping the global order that emerges, necessitates the most agile, flexible, and purposeful governance that India has ever been called upon to muster since its Independence, the Survey stated.

In other words, the Survey argued, the country stands to gain immensely when all of us embrace delayed gratification. The global environment is being reshaped by geopolitical realignments that will influence investment, supply chains and growth prospects for years to come. Against today's global churn, India must choose to build resilience, innovate relentlessly, and stay the course toward *Viksit Bharat*, rather than seek quick fixes to visible, short-term pressures.

ECONOMIC SURVEY RECONFIGURED

The Economic Survey also veers away from the standard format over the years. This edition of the Economic Survey has been deepened and expanded in its depth and breadth, respectively. It has 17 chapters that have been rearranged. The arrangement of chapters, which previously relied on precedence, is now based on the depth and time-relevance of national priorities. The Survey is longer this time than before, due to the range of issues and topics covered. Finally, the Survey examines three topics of medium-to-long-term interest to India in special essays: the evolution of Artificial Intelligence, the challenge of quality of life in Indian cities, and the roles of state capacity and the private sector (including households) in achieving strategic resilience and strategic indispensability.

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