VAJIRAM & RAVI
Institute for IAS Examination

ECONOMIC SURVEY 26-2027

BY DR. JAYANT PARIKSHIT SIR

(Delhi School of Economics, IIM Lucknow)

ECONOMIC SURVEY

HANDOUT-1

THEME OF SURVEY & STATE OF INDIAN ECONOMY

ECONOMIC SURVEY LECTURES

Economic Survey Part 1

Economic Survey Part 2

BUDGET LECTURES

Budget Session Part 1

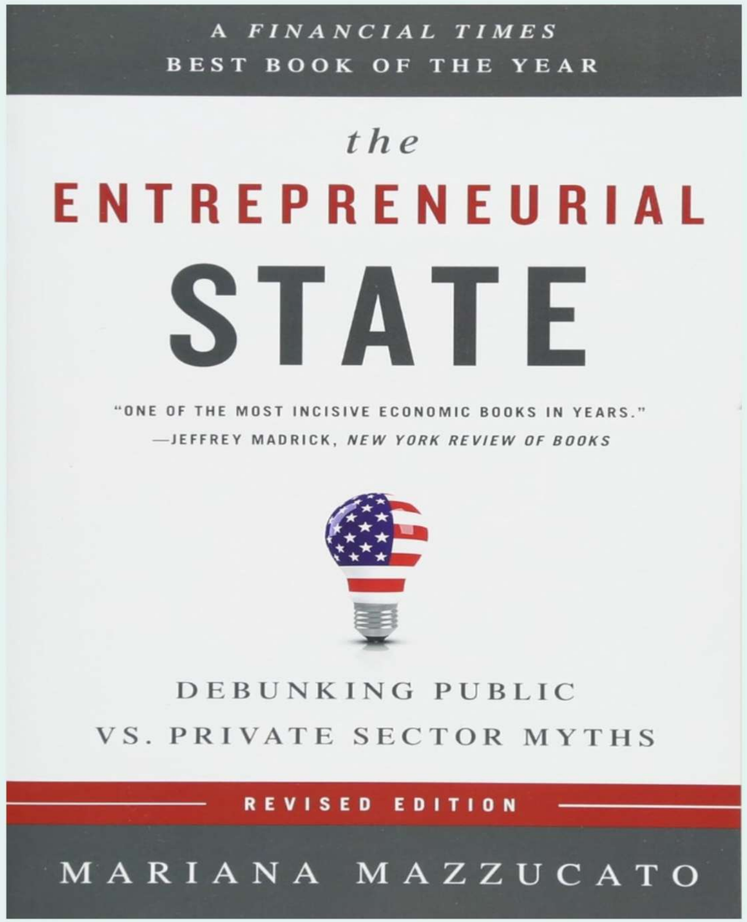
Budget Session Part 2

Budget Session Part 3

ECONOMIC SURVEY 2025-26 What is special?

1. More chapters
2. Re-alignment:
   *important
3. Medium-to-Long Term issues:
   a. AI
   b. Challenges of quality of life in Indian cities
   c. Role of state capacity & private sector in achieving strategic resilience & indispensability

THEME: ENTREPRENEURIAL POLICY UNDER UNCERTAINTY:



A state that:

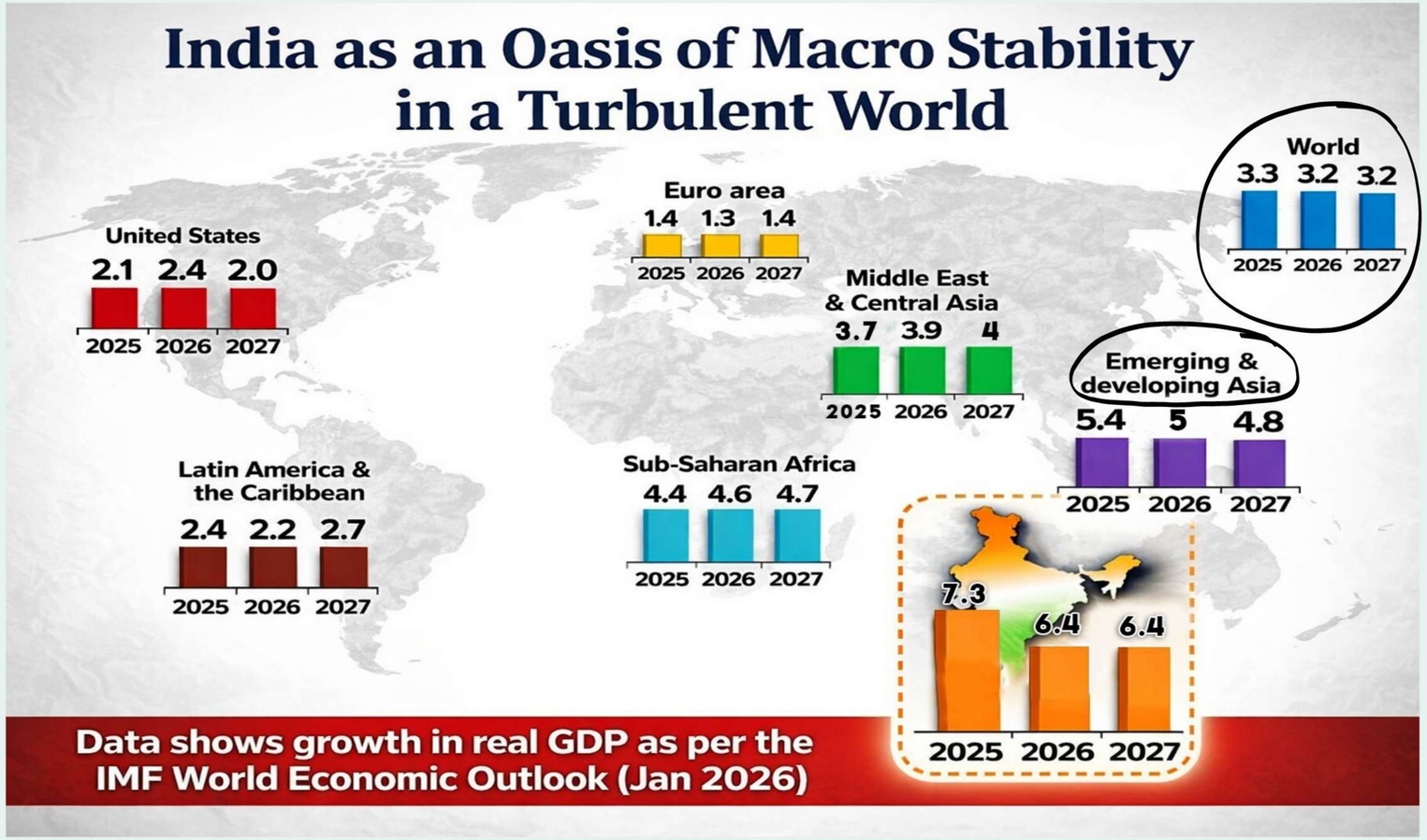
(a) structures risk rather than avoids it

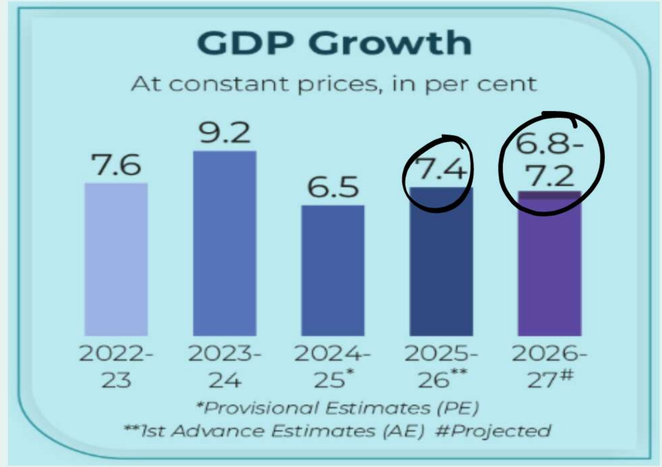
(b) can act before certainty emerges

(c) learns from experimentation

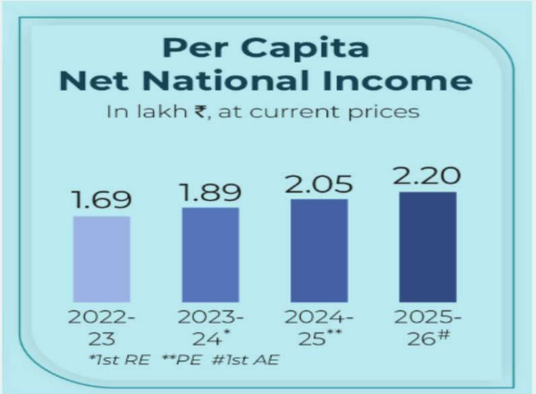
(d) corrects course without paralysis!

INDIA's REPORT CARD:



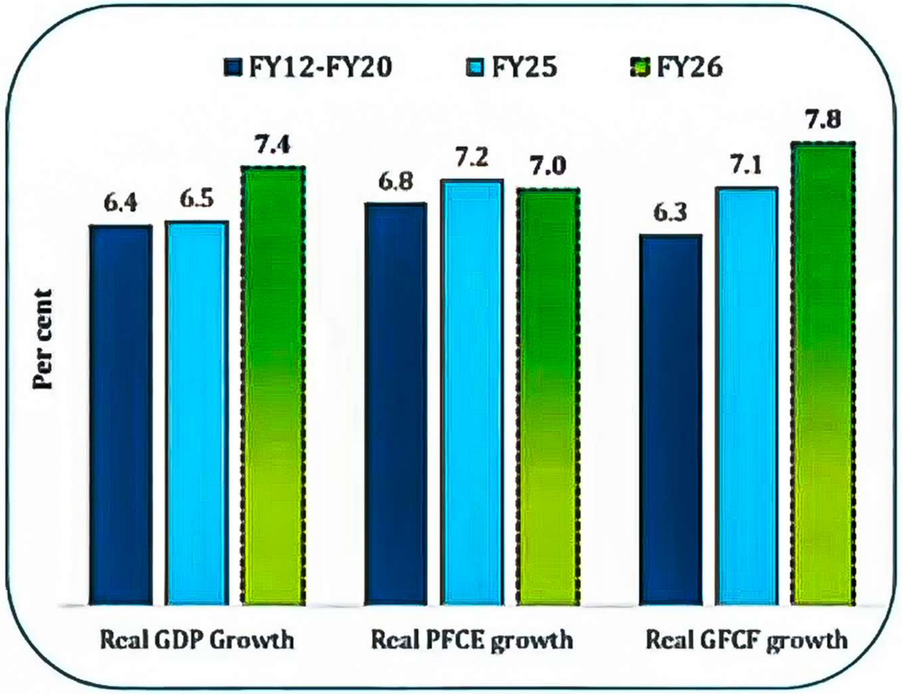


Potential = 7%

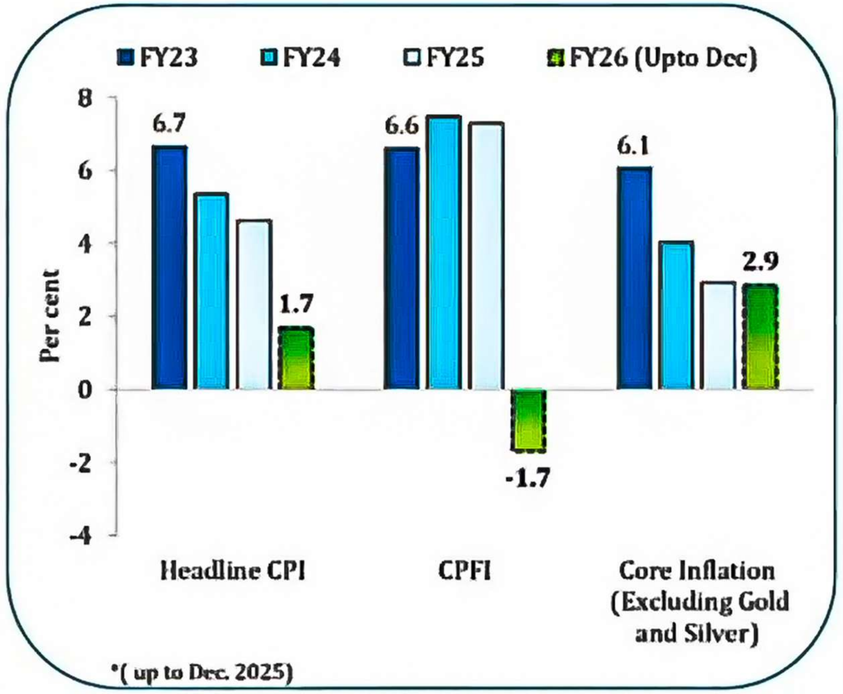


From Stability to Strength: Growth accelerates along with lower inflation

Growth momentum sustained by domestic drivers



Inflation soften to all time low in FY26*



$$Y = C + G + I + NX$$

BOP

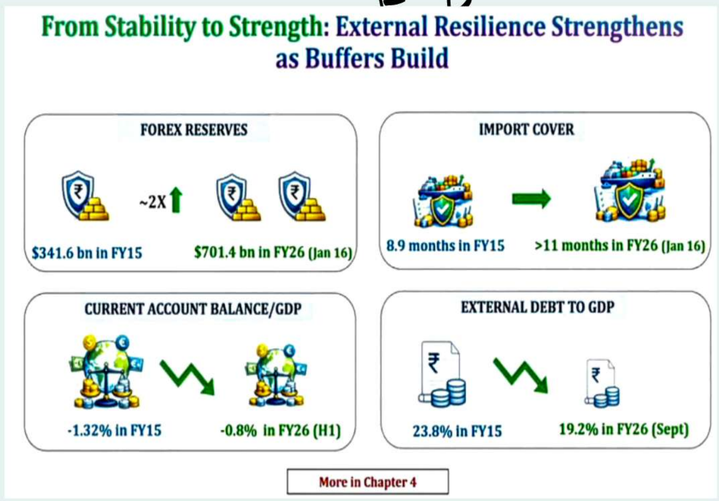
Current A/c

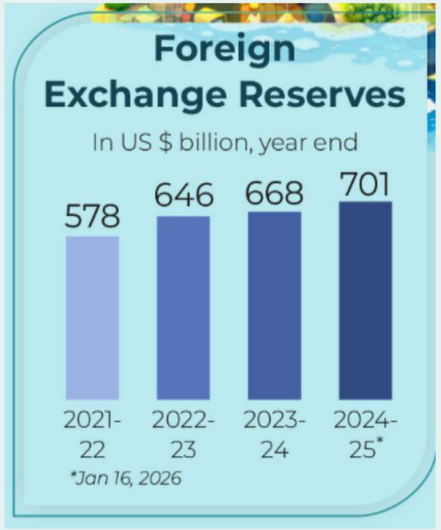
* India's share in Global Merchandise Export
  - 2005 = 1%, 2024 = 1.8%
* Rog of servie export = 13.6%.
* Remmittance = $135.4 bn (2024) world's highest

Capital A/c

Forex Reserves (FX)

* Jan 16, 2026 : $701.4bn
* Import Cover = 11m
* FX / ED ~ 94%.



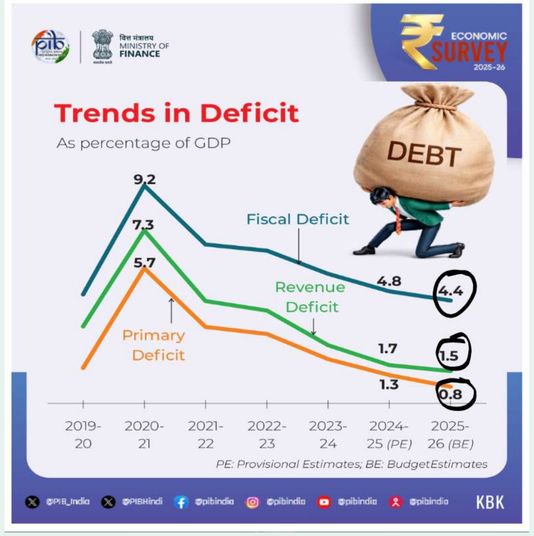


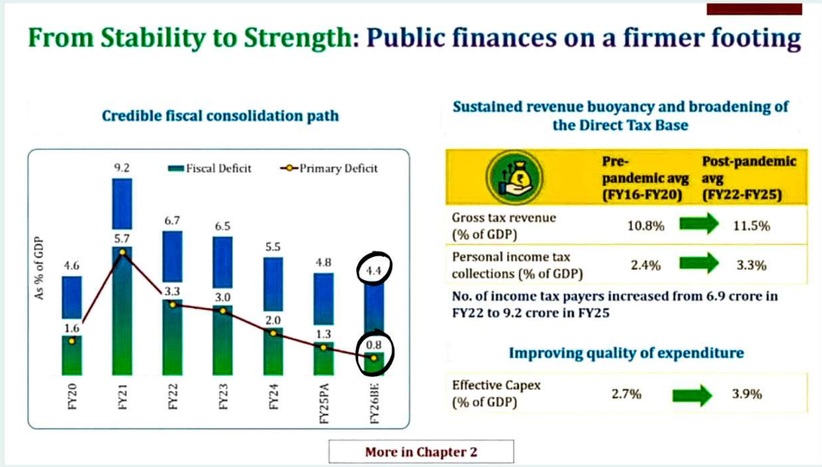
Fiscal Health / Budget

- **Revenue**
  - R.R — yog = 9.2% (FY25)
  - R.E — yog = 1.8% (FY26)
- **Capital**
  - C.E
    - E.CapEx — 2.7% of GDP (pre-covid)
    - E.CapEx — 4% of GDP (2024)
    - yog = 6.7% (FY26)

DT Base
- 6.9cr (FY22)
- 9.2cr (FY25)

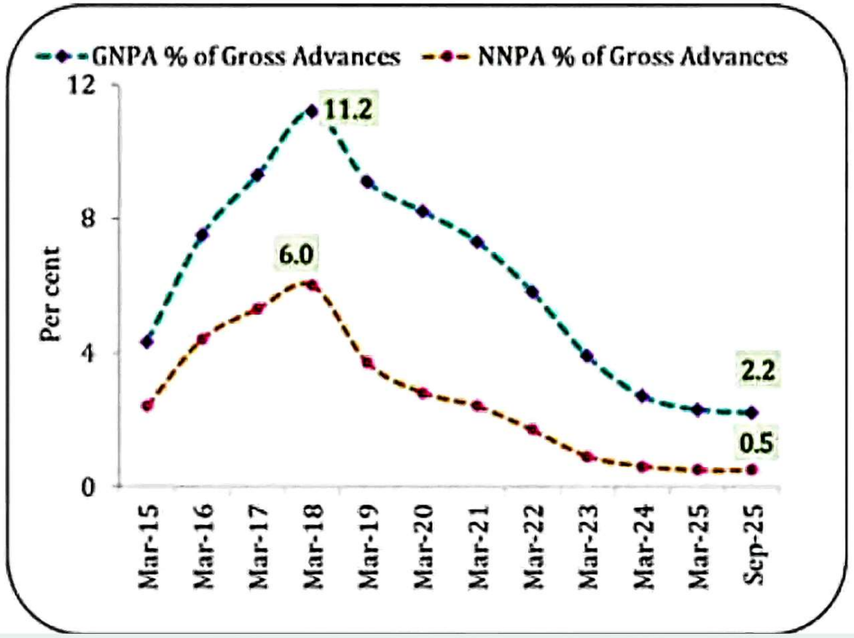
Gross GST collection: yog ≈ 6.7%



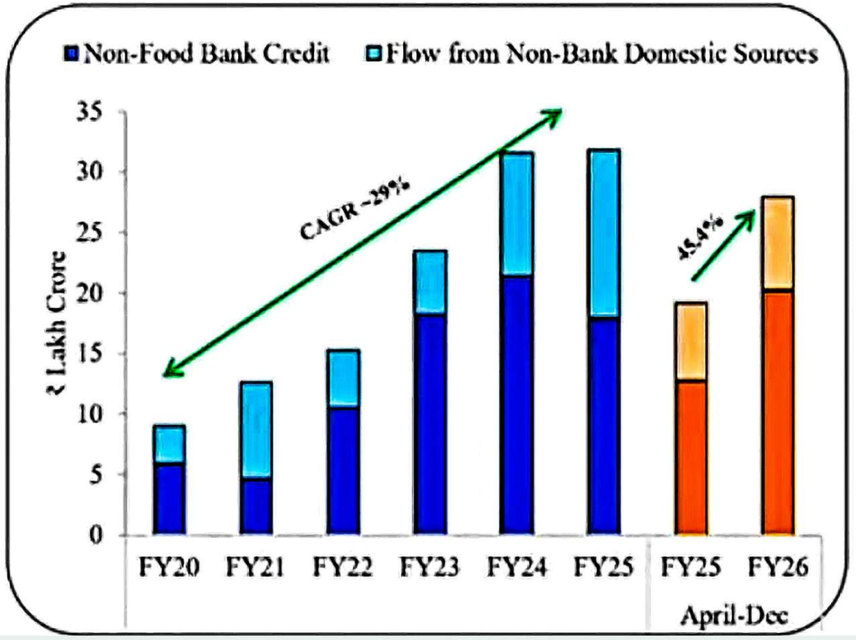


From Stability to Strength: Healthy banking fundamentals and stronger credit momentum

SCBs' asset quality improves: GNPA and NNPA at multi-decade lows

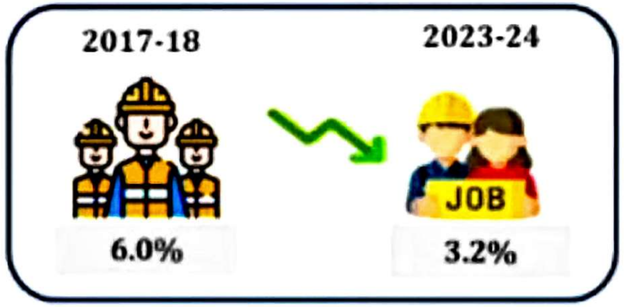


Flow of Resources to the Commercial sector expanding at a healthy pace

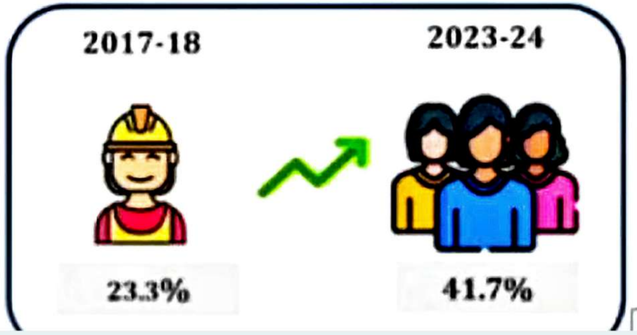


From Stability to Strength: Employment conditions improve amid structural reforms

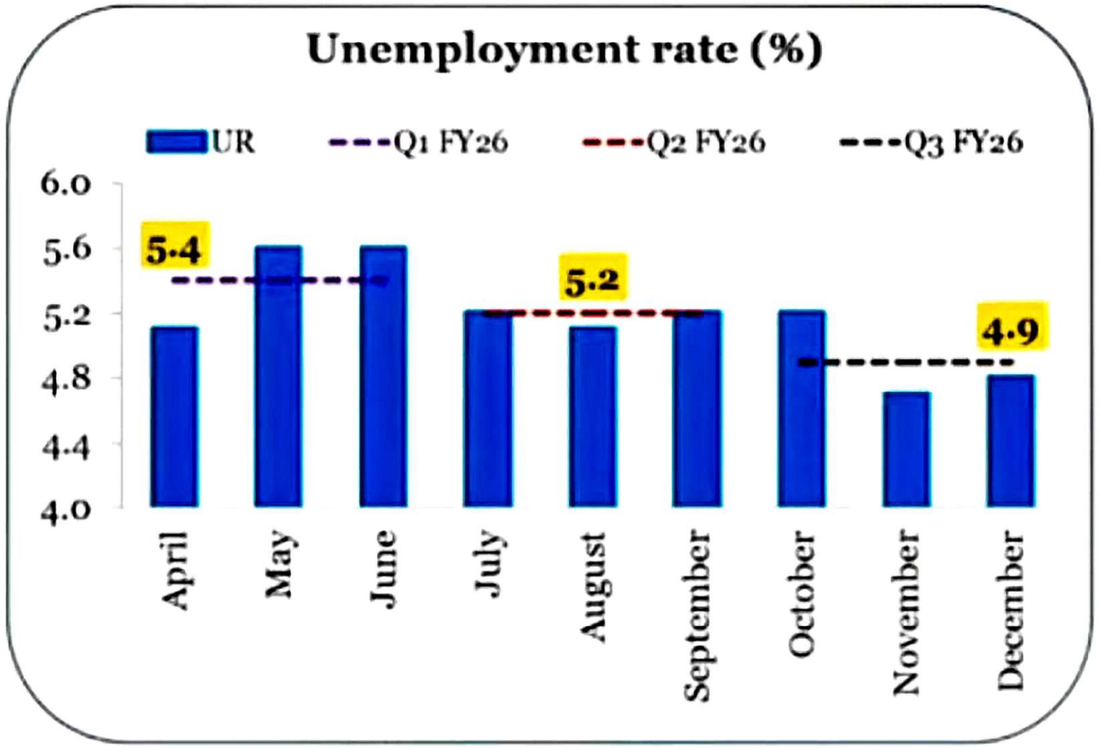
A fall in the overall unemployment rate



Increase in female labour force participation rate



Labour market dynamics for FY26



Note: The quarterly estimates are based on the average of monthly number

THREE GLOBAL SCENARIOS:

Scenario-1: Business as in 2025 but with less security & more fragility

* ↑ Geopolitical & Economic volatility
* Gov. intervention needed

Scenario-2: Disorderly Multipolar Breakdown

* Deep Geopolitical rivalry, Trade weaponisation, security issues
* politicised supply chain & Financial mkt
* Autonomy Vs Growth Vs stability

Scenario-3: Systemic Shock Cascade

* AI-Infra → expose fragile business models
* Financial, Tech, Geopolitical shocks amplify each other
* Macro Risk > GFC 2008

So, we have to keep evolving: from Import Substitution and Strategic Resilience to Strategic Indispensability

"*Aatmanirbharta*" is Investment in National Strength

Rests on 3 pillars

Intelligent Import Substitution	Strategic Resilience	Strategic Indispensability
		
Building domestic capacity	*Withstand external shocks and pursue diversification*	*Make India irreplaceable in key global value chains*

In other words,

"Can we make it at home competitively?"

↓

"Can we keep functioning if the world breaks down?"

↓

"Can the world keep functioning if we break down?"

1. Deregulate
2. Infra
3. Bureaucracy
4. Business Mindset

econjayant@gmail.com

jayantparikshit → Telegram

ECONOMIC SURVEY

HANDOUT-2

INDUSTRY'S NEXT LEAP: STRUCTURAL TRANSFORMATION AND GLOBAL INTEGRATION

ECONOMIC SURVEY LECTURES

Economic Survey Part 1

Economic Survey Part 2

BUDGET LECTURES

Budget Session Part 1

Budget Session Part 2

Budget Session Part 3

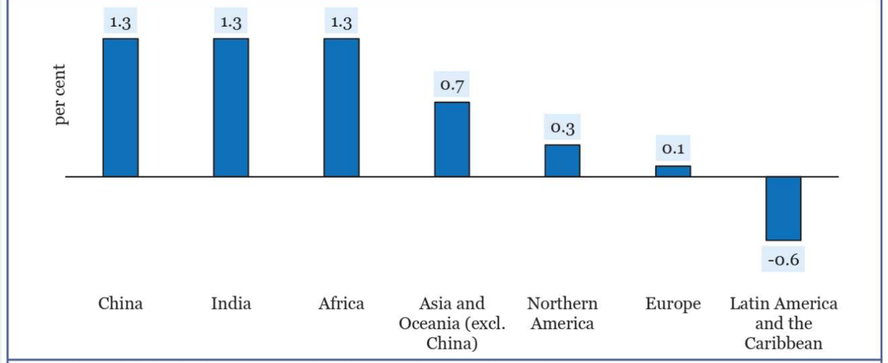
GLOBAL TREND & PROJECTIONS:

Manufacturing → Tech
→ Strategic Indispensibility

(a) Product → Low End
→ Medium
→ Highly Innovative

(b) Direction of Global Manufacturing: Strategic Indispensability → position a country in GVC = high tech + high productive mfg + stable

Chart VIII.1: Quarter-on-Quarter Growth in Manufacturing Output for Q3 of 2025 (Select Countries and Regions), per cent



Source: UNIDO World Manufacturing Production and Trade- Quarterly Report, Q3 2025

DOMESTIC PERFORMANCE:

1. %g of Manufacturing GVA → Robust Recovery
2. Share of Medium & High Tech product = ↑
3. PMI - Mfg → ↑
4. RBI's Business Expectation Index (BEI): ↑
5. Competitive Industrial Performance (CIP): ↑
6. Bank Credit (BC) & Total Credit: ↑

1. Ind. GVA:

Chart VIII.2: Real Industry GVA has witnessed a clear recovery (y-o-y)

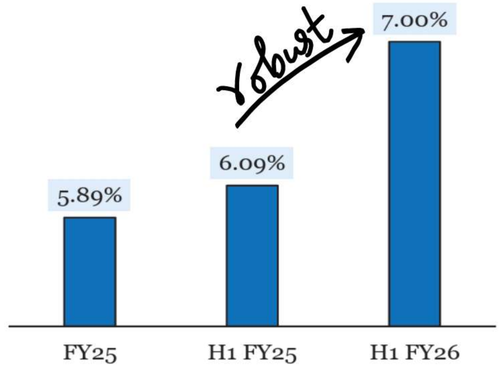
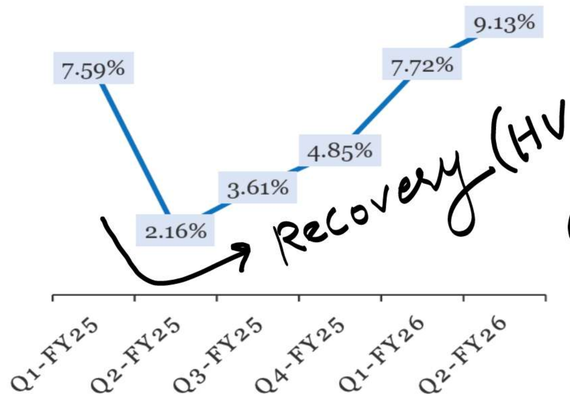


Chart VIII.3: Sustained Momentum in Real Manufacturing GVA Growth (y-o-y)

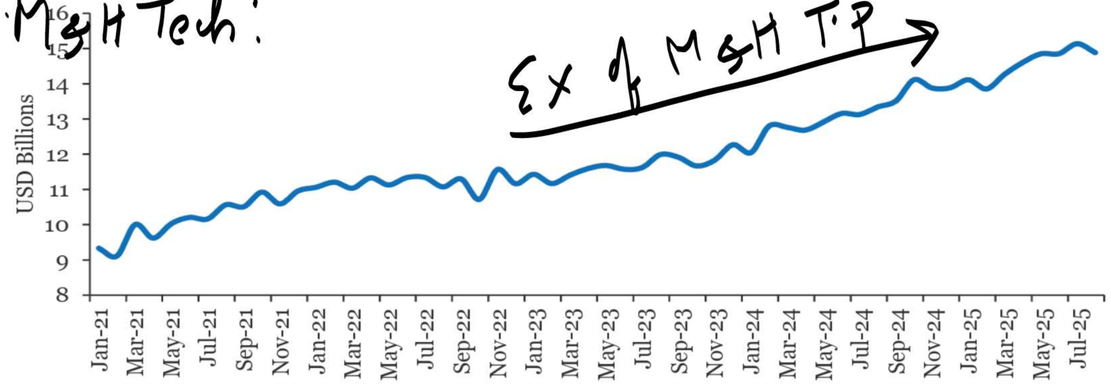


Source: National Accounts Statistics, MoSPI.
Note: Industry comprises of four sub-sectors- Manufacturing; Electricity, Gas, Water Supply & Other Utility Services; Construction and Mining & Quarrying.

Recovery (HVM, Ind. Infra via corridors, ↑ tech, ↑ formalisation)

Chart VIII.4: India's Seasonally Adjusted Global Exports of Medium- and High-Tech Manufactured Products (USD Billions)

2. M&H Tech:



Source: UNIDO Statistics.

- M&H Tech act^{y} = 46.3% of Indian Mfg VA (UNCTAD-2025)
- India = MIC → moving to HVM

3. Competitive Industrial Performance (CIP):

→ CIP
- → Capacity to produce & export manufacture
- → Tech^{y} deepening & upgrading (share of M & H Tech VA)
- → World Impact (share in world VA & world Mfg Export)

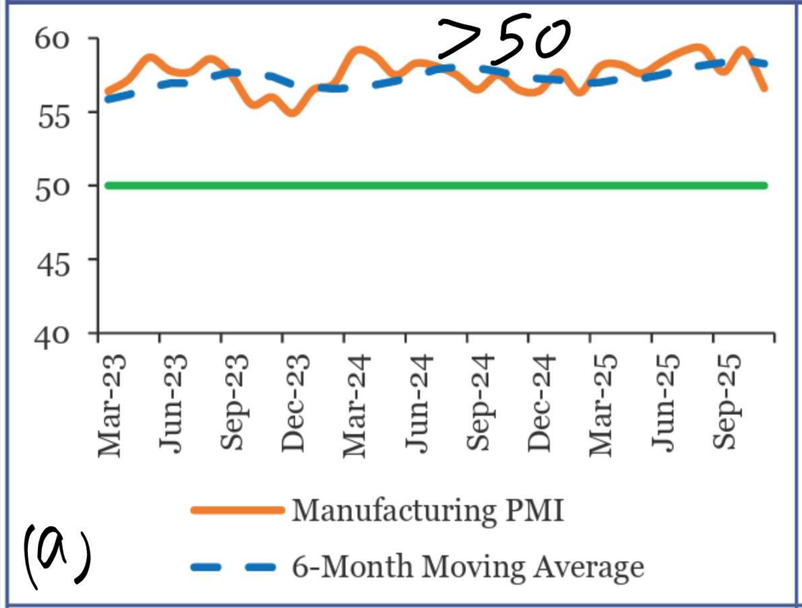
→ Rank of India
- 40th (2022)
- 37th (2023)

5 pillars to ↑ Competitiveness:

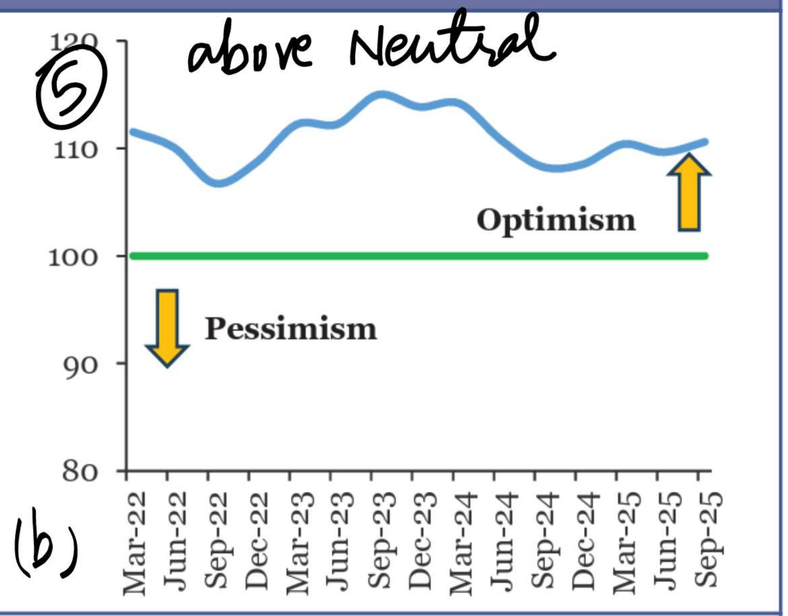
1. Regulation of EoDB
2. Boost R&D
3. Skill
4. Infra & Logistics
5. Scale up MSME

④

Chart VIII.5: Optimism about prospects continue to remain high (Y-Axis represents Index Values on both charts)



Source: HSBC Purchasing Managers Index.

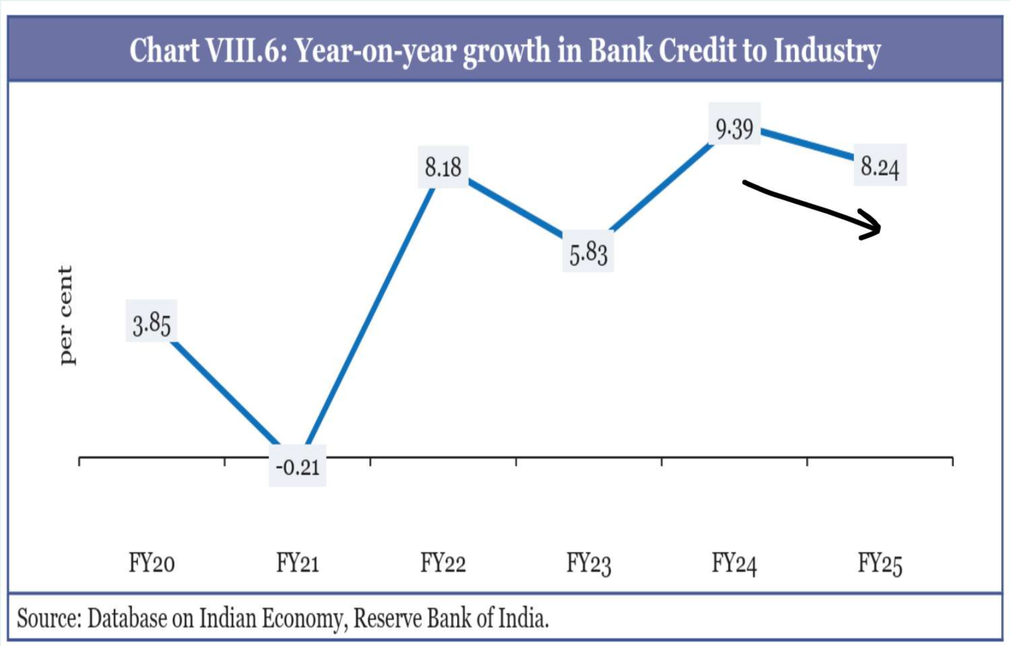


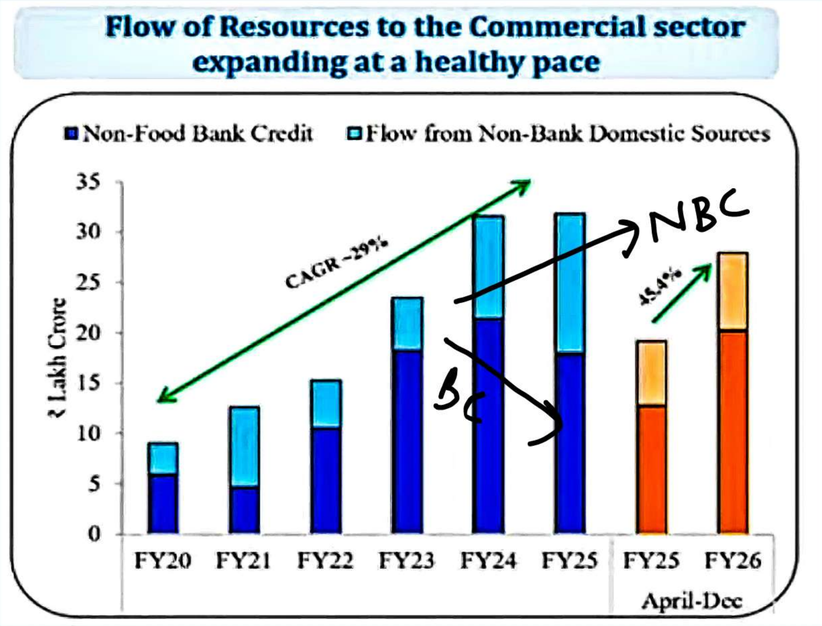
Source: Business Expectations Index (RBI Industrial Outlook Survey of the Manufacturing Sector: Q2 FY26).

(a+b) — Resilient Industry sentiment

(a+b) — Firm's confident about global demand & growth

* Bank Credit (BC):





B.C ↓ + NBC ↑ = TC ↑

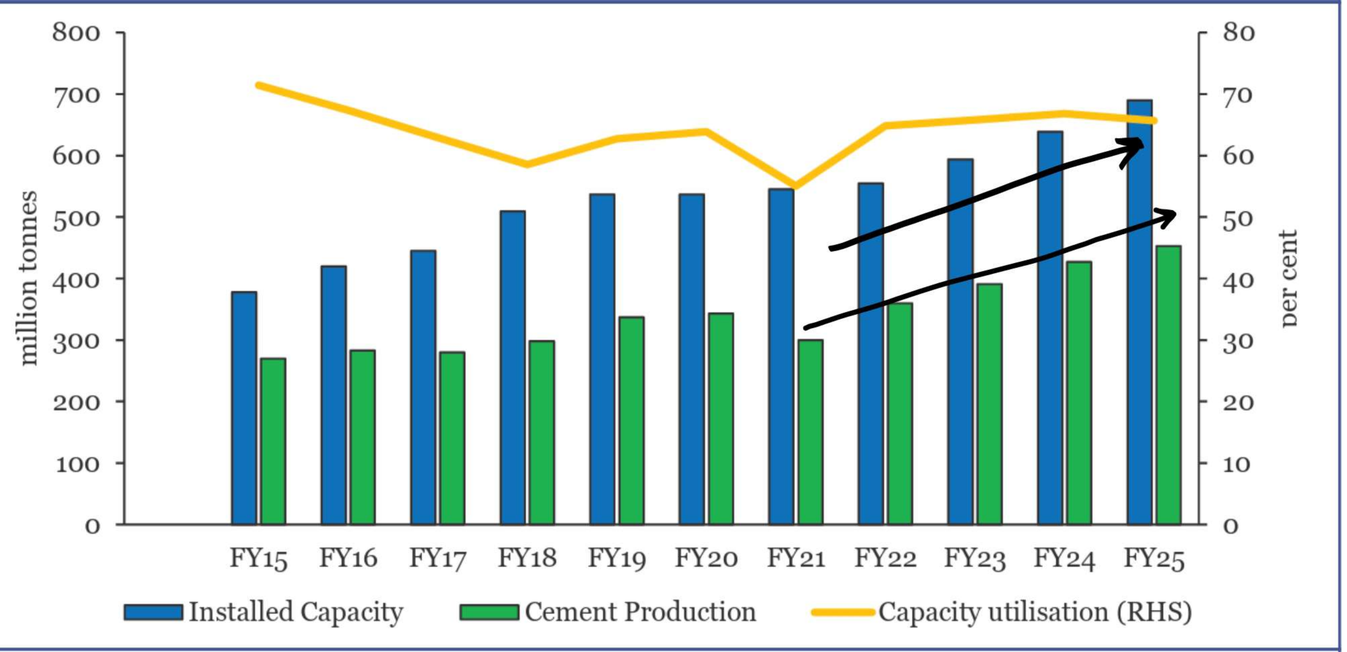
Top Industrial Sector with high BC:

1. M & Q
2. FPI
3. Beverage & Tobacco
4. Textile
5. Leather

INDUSTRIAL SECTOR PERFORMANCE

CEMENT:

Chart VIII.7: Installed capacity, production and capacity utilisation of cement industry



Source: Department for Promotion of Industry and Internal Trade (DPIIT).

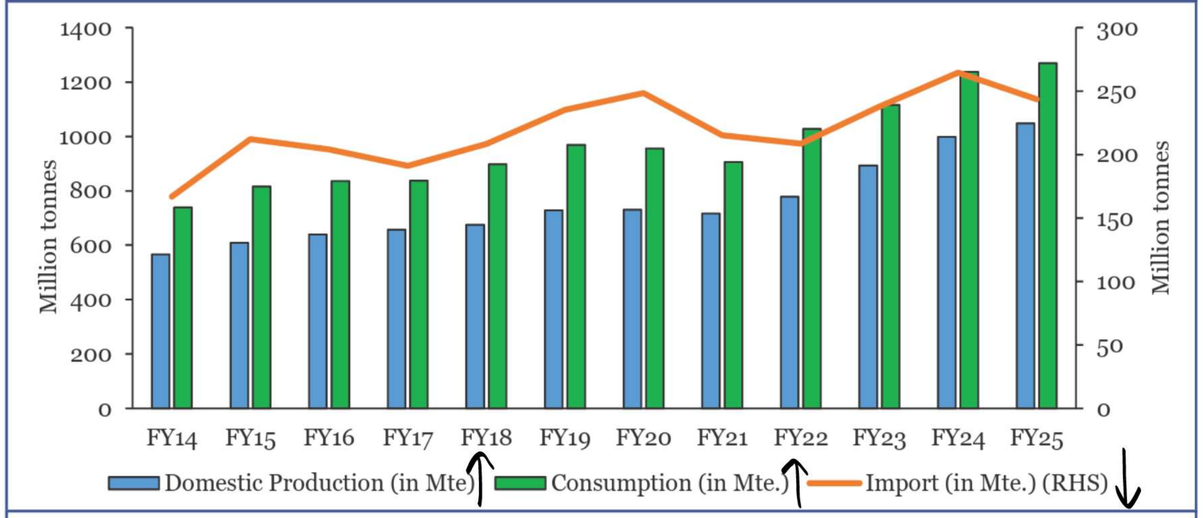
* India = Rank-2 (China = 1)

* 85% cement prodn : 11 States
  Raj, Andhra, Tel, Kar, M·P, Guj,
  TN, Mah, UP, Chatt, WB

* India's c^n = ₹ 290 kg/capita
  Global c^n = ₹ 540 kg/capita

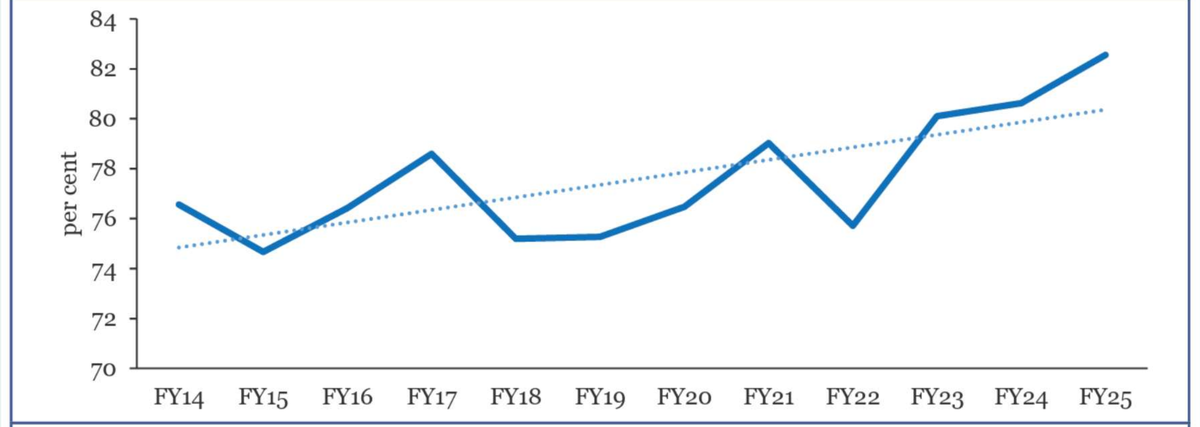
COAL:

Chart VIII.9: Coal: Domestic Production, Consumption, and Import



Source: Ministry of Coal.

Chart VIII.10: Coal Production as per cent of Domestic Consumption



Source: Survey calculation based on data from the Ministry of Coal.

India's Rank:

* Coal Reserves = 5
* Consumer = 2

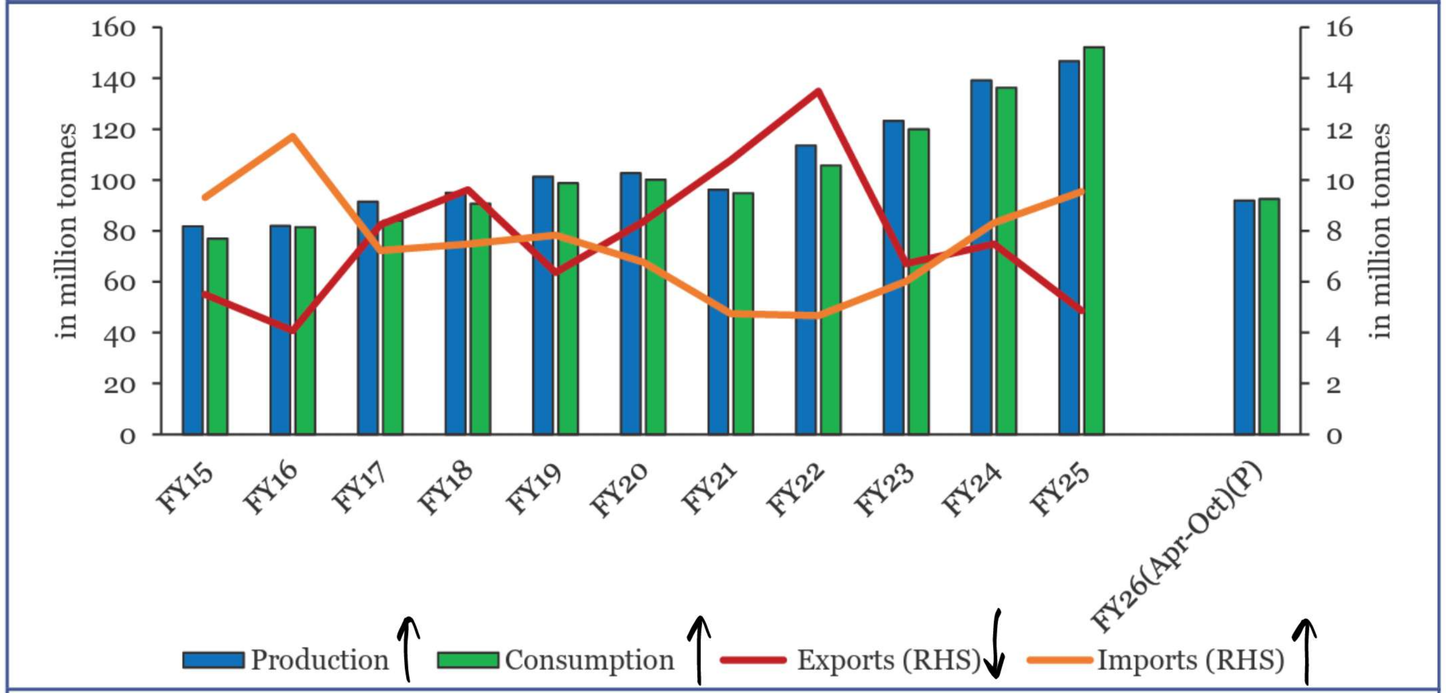
Coal contri
- 55% National Energy Mix
- 74% of Total Power Generation

* 2024: prodⁿ = 1047 MT → India's highest ever

Ratio of $\left[\frac{\text{Domestic Prodⁿ}}{\text{Domestic Cⁿ}}\right]$ ↑

STEEL:

Chart VIII.8: Finished Steel Production, Consumption, Exports and Imports



Source: Ministry of Steel.

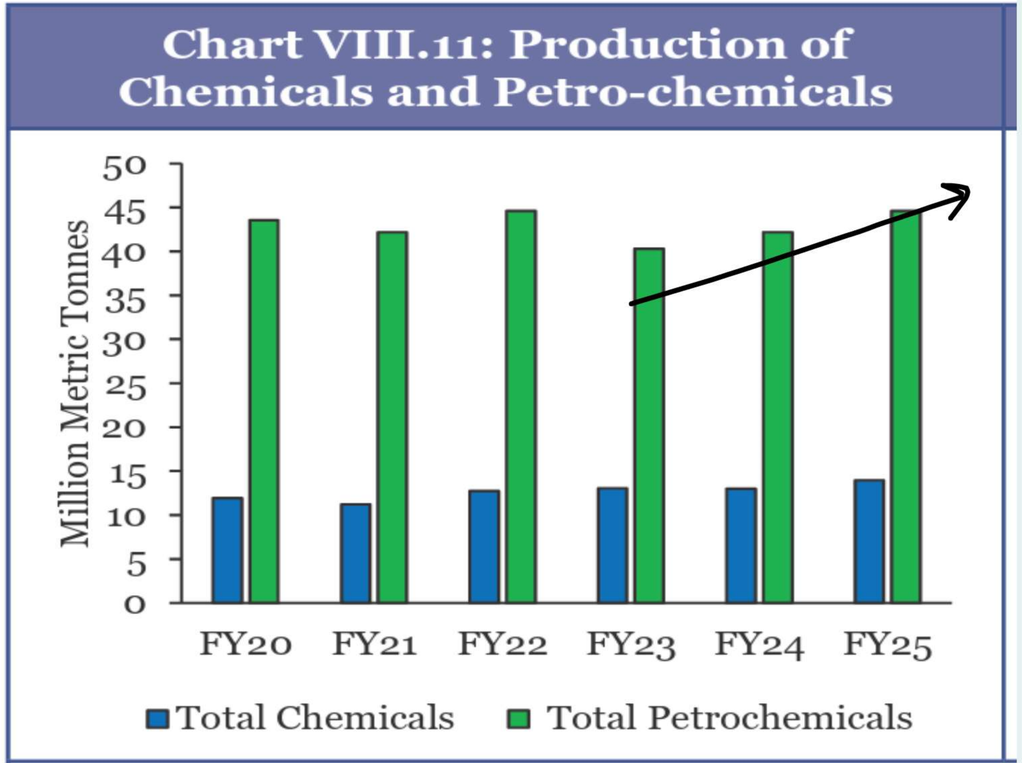
* India = 2nd largest crude steel pr
* India imports Coking Coal
  Global steel price = ↓
  } ↑ price of Indian steel
* Aust, USA, Russia, Canada

Schemes:

a. PLI 2021: @ ₹ 6322 Cr

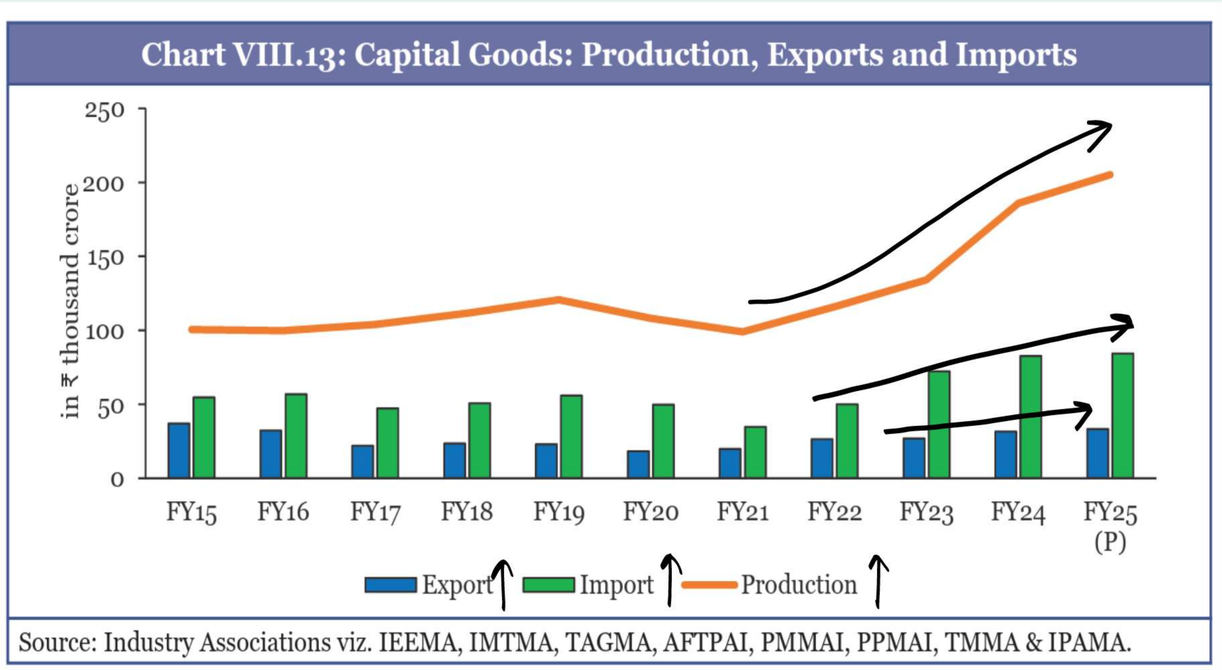
b. Mission Coking Coal-2022:
   45 MT to 140 MT by 2030
   ↳ block alloc^{n}, revive old mines,
   ↑ washeries

CHEMICALS & PETROCHEMICALS :



* C&P contri in Mfg GVA = 8.1% (FY24)
* constant ↑
* ROG (FY16 – FY25) = 2.8%

CAPITAL GOODS :



C.G.S = 2% of GDP

India : Investment ↑

→ domestic prodn capacity ↑

→ ↑ Imports of tech. advance machinery

Scheme on Enhancement of Competitiveness in Indian Capital Goods sector:

a. phase-I : 2014-2021 : @₹583 cr → 30 niche indig. tech (machine tools, textile machines, welding robot, sensor techy etc)

b. Phase-II : 2022 : @₹964 cr (skill, Testing servie etc)

→ brings Iry & academia for R&D

exported to France, Belgium, Qatar etc

AUTOMOBILE:

Chart VIII.14: Production, sales and exports of automobiles

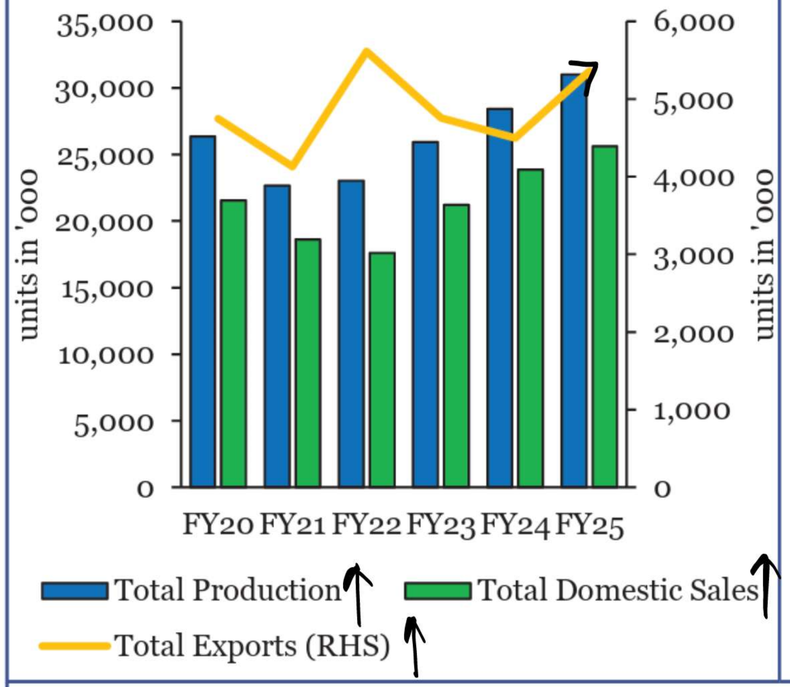
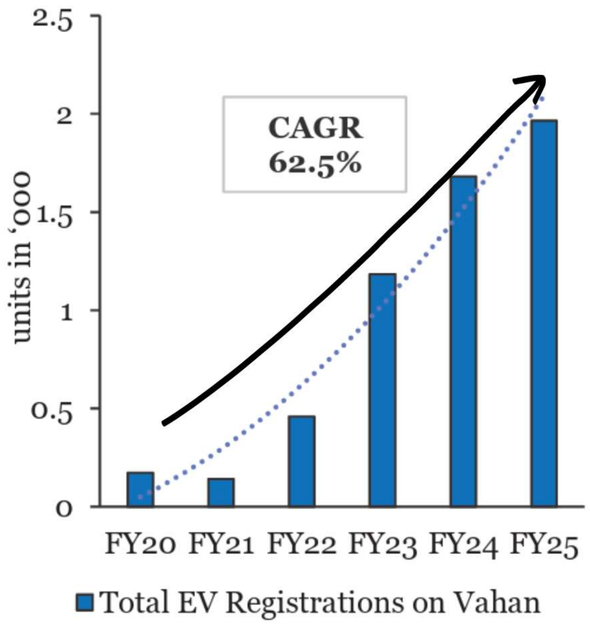


Chart VIII.15: Growing EV registrations



Source: SIAM; Ministry of Heavy Industries.

#9ndea:

→ Rank-1: 2W, 3W

→ Rank-3: Passenger Veh & Commercial veh

→ 15% of Total GST collection

→ Empl^t = 3cr

→ FY14 to FY25: 33% ↑ in prodⁿ

SCHEMES FOR AUTOMOBILES:

National Electric Mobility Mission Plan 2020:

- NEMMP-2020 was launched in 2013. It aimed to achieve national fuel security by promoting hybrid and electric vehicles in the country. It set an ambitious target to achieve 6-7 million sales of hybrid and electric vehicles year on year from 2020 onwards.
- Government aimed to provide fiscal and monetary incentives to kick start this nascent technology.

FAME-India Scheme (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles) (Phase I: 2015–2019; Phase II: 2019–2024)

- It aimed to promote hybrid and electric vehicles through demand incentives and charging infrastructure development. Phase-I focused on market creation with ₹895 crore, while Phase-II, (initially ₹10,000 crore, later increased), accelerated adoption of electric two-wheelers, three-wheelers, and e-buses.
  1. **FAME Phase 1 (2015–2019)**
     - Budget: Approximately ₹895 crore.
     - Objectives:
     - Market development for hybrid and electric vehicles.
     - Provide demand incentives (upfront purchase price reduction) to encourage consumers.
     - Focus areas: Technology development, pilot projects, and initial charging infrastructure.
  2. **FAME Phase 2 (2019–2024)**
     - Budget: ~₹11,500 crore (updated from initial ₹10,000 crore).
     - Objectives:
     - Drive adoption, especially in public and shared transport.
     - Build a robust EV manufacturing ecosystem to achieve self-sufficiency.
     - Set up public charging infrastructure across the nation.

Production Linked Incentive (PLI) Scheme for Automobile and Auto Component Industry in India (PLI-Auto)-2021:

- It aims to enhance India's manufacturing capabilities for advanced automotive technology (AAT) products with a budgetary outlay of ₹25,938 Crore. The scheme proposes financial incentives to boost domestic manufacturing of AAT products with minimum 50% Domestic Value Addition (DVA) and attract investments in the automotive manufacturing value chain.

PLI Scheme for Advanced Chemistry Cell (ACC)-2021:

- It has a budgetary outlay of Rs.18,100 crore. The scheme aims to establish a competitive domestic manufacturing ecosystem for 50 GWh of ACC batteries. Beneficiary firms must ensure to achieve a value addition of at least 25% within 2 years and raise it to 60% value addition within 5 years from the appointed date.

PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) Scheme-2024:

- It has an outlay of Rs.10,900 crore. It is a two-year scheme which aims to support electric vehicles including e-2W, e-3W, e-Trucks, e-buses, e-Ambulances, EV public charging stations and upgradation of testing agencies.

Direct EV Subsidy: The scheme provides incentives up to:

1. Rs.10,000 for e-2 wheelers
2. Rs.50,000 for high-end e-3 wheelers
3. Rs.35 lakh for large e-buses

PM e-Bus Sewa-Payment Security Mechanism (PSM) Scheme-2024:

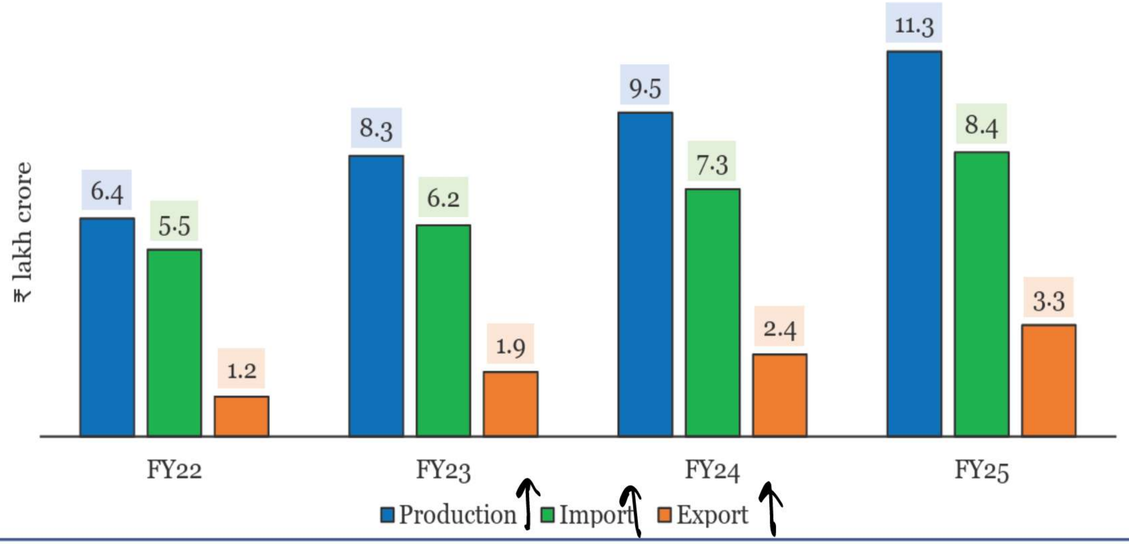
- It has an outlay of Rs. 3,435.33 crore and aims to support deployment of more than 38,000 electric buses. The objective of scheme is to provide payment security to e-bus operators in case of default by Public Transport Authorities (PTAs).

Scheme for Promotion of Manufacturing of Electric Passenger Cars in India (SPMEPCI)-2024:

- It aims to promote the manufacturing of electric cars in India. This requires applicants to invest a minimum of Rs.4150 crore and to achieve a minimum DVA of 25% at the end of the third year and DVA of 50% at the end of the fifth year. The beneficiaries must fulfil the following conditions to receive the benefits under the scheme:
  a. Minimum Global Revenue = Rs 10,000 cr
  b. Minimum Global Fixed Asset = Rs 3000 cr
  c. Minimum Investment in India = Rs 4150 cr (within 3 years)
  d. DVA = 25% (3 years), 50% (5 years)

ELECTRONICS:

Chart VIII.16: Growth of Electronics Production and Exports



Source: Ministry of Electronics and Information Technology (MeitY).
*Note: Production data is sourced from Industry Association; Import, Export data is sourced from Directorate General of Commercial Intelligence and Statistics (DGCI&S).

* FY22 = Rank 7th to FY26 = Rank 2nd largest export category
* exp. ↑ in Mobile Mfg (World's 2nd largest p^r)

1. PLI for LSEM-2020 @₹47645 cr

* mobile mfg, semi-conductors, capacitors etc
* 3-6% incentives

2. PLI 2.0 for IT Hardware-2023: @₹17000 cr

* Laptop, Tablet, PC, server etc
* 1-4% incentives

3. ELECTRONICS COMPONENT MANUFACTURING SCHEME (ECMS)-2025: @₹22919 cr

* Integrate Indian elec. with GVC via prodn of essential components, RM, assembly
* Incentives
  - Turnover incentive: 4-6%
  - capex incentive: 25% on eligible capex
    - 5% on min emplt generation
  - Hybrid incentive: TO + CapEX

4. ELECTRONICS MANUFACTURING CLUSTER (2012, 2020):

→ plug & play infra to attract global firms & make India global player

→ Grant
- GF EMC: 50% of proj cost (Max ₹50 cr/100 acre land)
- BF EMC: 75% " " " (Max ₹50 cr/project)

EMC
GF, BF

5. SCHEME FOR PROMOTION OF MANUFACTURING OF ELECTRONIC COMPONENT & SEMICONDUCTOR (SPECS): 2020

* Electronics → 25% of Capex as Grants

6. INDIA SEMICONDUCTOR MISSION (ISM): 2021, MeiTY, ₹ 76000 cr

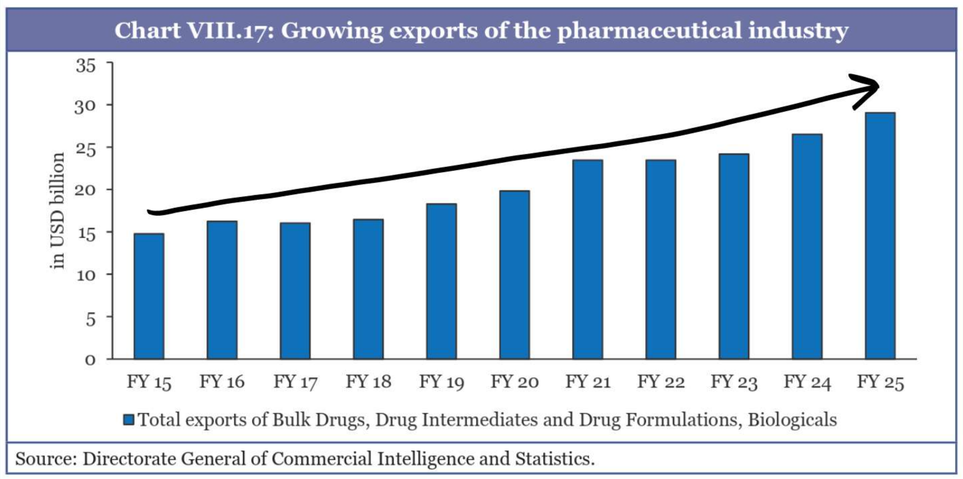
1. Modified semi-conductor Fab:
2. Modified Display Fabs scheme:
   e.g LCD, AMOLED
3. Modified Compound semi-conductors & ATMP/OSAT scheme:
   e.g semi-conductor, silicon photonics, sensors etc

} 50% support

4. Modified Design Linked scheme: @ ₹1000 cr outlay
   → reimburses R & D cost, access to design tools, promote SUs & MSME
   → ₹ 15 cr/company for chip design innovation

PHARMACEUTICALS:

* Indian Pharma → Rank-3 by Volᵐ
  - → 20% global generic demand
  - → export to 191 countries → >50% export to highly regulated mkt like US, Europe etc (Export Rank=11, 3% global share)
  - → global leader in low cost vaccines e.g Diptheria, Tetanus, BCG etc



* Medical Devices → export to 187 countries
  e.g High end MRI, CT scanners, ventilators etc

Schemes: PLI for Bulk Drugs, PLI Medical Devices, Strengthening of Medical Device Industry (SMDI)-2024, @₹500 Cr

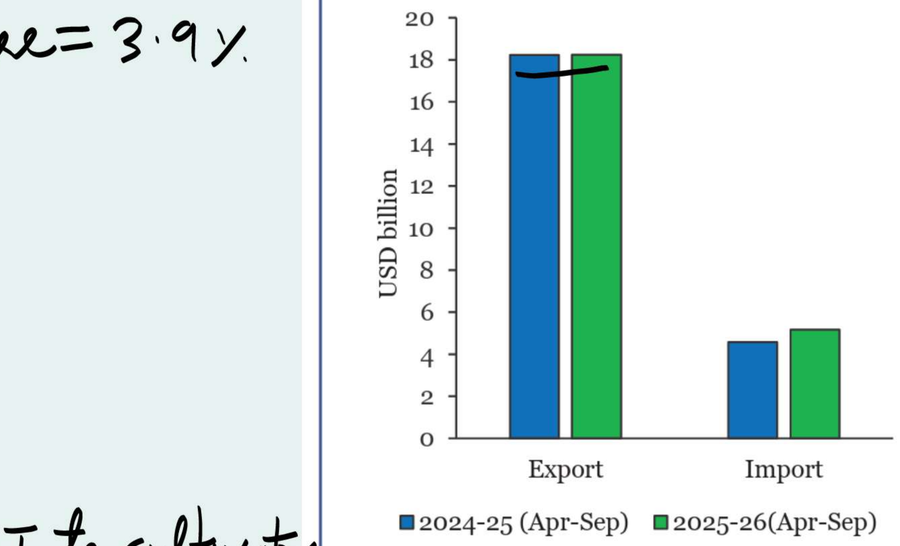
TEXTILES:

India
- Export Rank = 6
- world Export share = 3.9%
- Jobs = 3.5 cr
- GDP contri = 2%.
- 11% of Mfg GVA

Advantage:

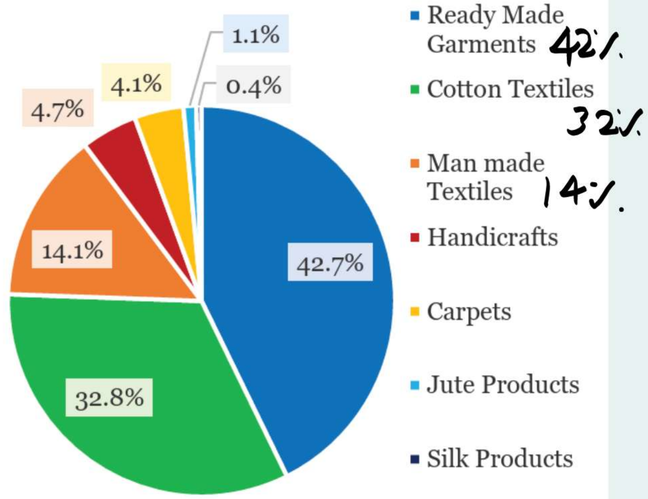
* India = world No. 1 cotton & Jute cultivator
  = world No. 2 in Silk
* India = Major hub in MMF, Rank = 2, eg polyster

Chart VIII.18: Trade in Textiles and Apparels



Source: Ministry of Textiles.

Chart VIII.19: Share of components in India's Textile Exports in FY 25 (in per cent)



Source: Ministry of Textiles.

1. PLI FOR MMF & TECHNICAL TEXTILES: 2021

@₹10683 cr

2. PM-MEGA INTEGRATED TEXTILE REGION & APPAREL PARK (PM-MITRA)

Min 1000 acre
GF
BF

VISION: 5F = Farm, Fibre, Factory, Fashion, Foreign

Goal — attract I+ = ₹70000 cr
— Empl+ = 20L

Atleast 1000 acres

- Development Capital Support
- Competitiveness Incentive Support (3% of TO)

1. GF Park = ₹500/park (DCS) + ₹300/park (CIS)
2. BF Park = ₹200/park (DCS) + ₹300/park (CIS)

3. NATIONAL TECHNICAL TEXTILE MISSION (NTTM) - 2020, ₹1480 cr, MOT

→ train 50,000 indi in tech. textile:

1. Research, Innovn & Devlt:
2. promotion & Mkt development
3. Export promotion
4. Education, Training, & Skill Devlt

4. QUALITY CONTROL ORDERS (QCOs): 2025

→ for MMF,

KEY INITIATIVES TO PROMOTE MANUFACTURING

1. Production Linked Incentives (PLI) - 2020

→ ₹1.97L cr, 14 sectors

→ performance
- Investment = ₹2L cr
- Incremental Sale = ₹18.7L cr
- Empl't = 12.6L
- Incentivs = ₹23946 cr in 12 sectors
- export = ₹8.2L cr (elect, pharma, Telecom etc)

→ Electronics = Success → major smartph. firms relocated to India

→ Pharma: Prod", export

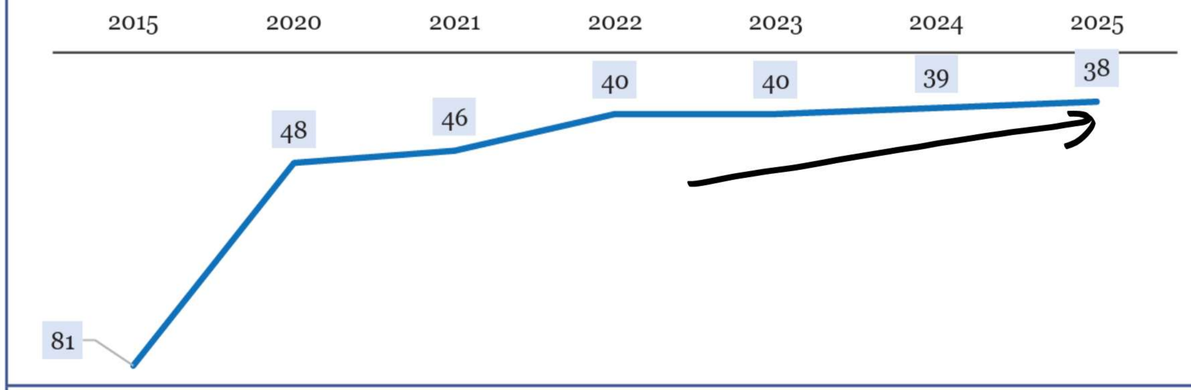
2. National Manufacturing Mission (NMM): 2025

* Target 2035
- ↑ Mfg contri to 25% of GDP
- Generate 143 mn jobs
- ↑ Merchandise export to $1.2 tr via GVC integration
- Focus on 20-30 Ind. clusters across sectors based on demand, empl't capacity etc

3. Innovation and R&D:

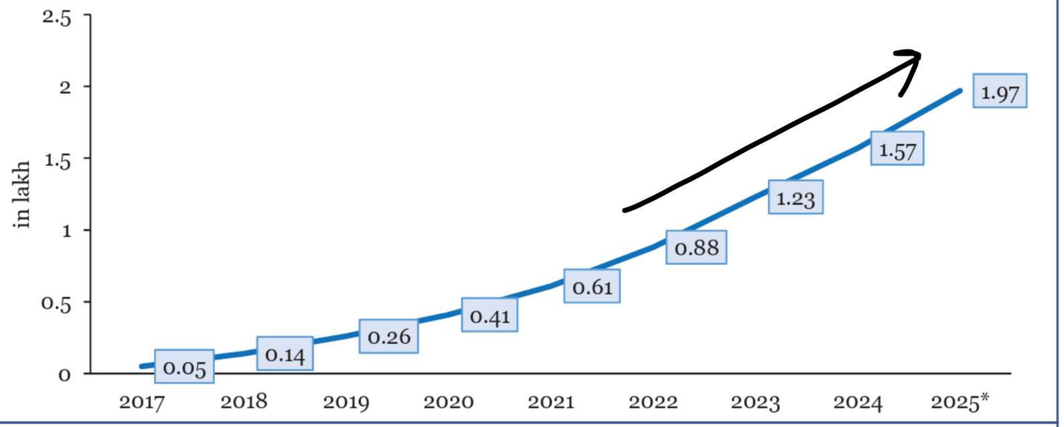
* Scientific Research Output Rank (Scholarly Pub.): 2010 = 7th, 2025 = 3rd
* Global Innovation Index (GII) - WIPO
  2019 = 66th, 2025 = 38th
* Enterprise Policy & Culture (WIPO): 12th
* Bl'uru, Delhi, Mumbai = World's Top 50 Innovative cluster
* India's Rank in IPR
  - Trademark = 4th (brand logo, name, slogn)
  - Patent = 6th (process, fh etc)
  - Industrial Design = 7th
* Critical Tech Tracker (Pub. by Australian Strategic Policy Institute):
  → India among top 5 in 45 out of 64 critical tech

Chart VIII.20: India's Ranking in the Global Innovation Index over the years



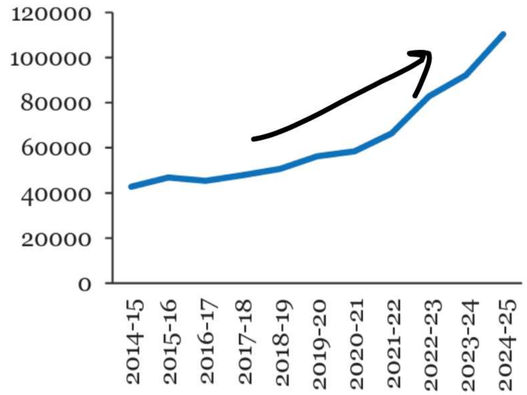
Source: World Intellectual Property Organization (WIPO).

Chart VIII.23: Rapid growth in DPIIT-Recognised Startups (Cumulative no. of Startups)



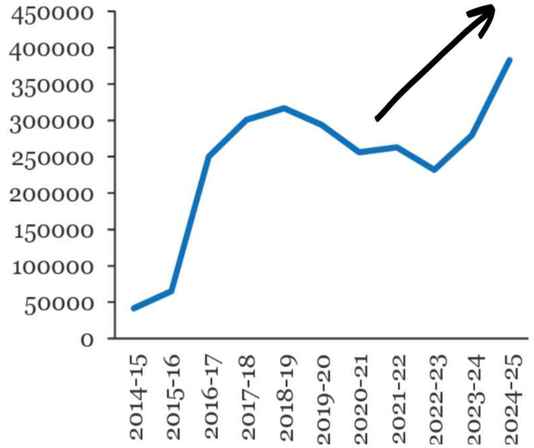
Source: DPIIT. Note: *Data for 2025 is as on 31 October 2025.

Chart VIII.21: Patent Applications



Source: DPIIT.

Chart VIII.22: Trademark Registrations



Source: DPIIT.

Box VIII.6: India's Rankings* in Critical Technology Research Output

Defence, space, robotics & transportation	• 3rd in Advanced Aircraft Engines • 3rd in Autonomous underwater vehicles • 4th in Drones, Swarming and collaborative robots
Quantum Computing	• 3rd in post-quantum cryptography • 4th in Quantum Sensors
Biotech, gene tech and vaccines	• 2nd in Biological Manufacturing • 3rd in Novel Antibiotics and Antivirals
Artificial Intelligence, Computing and Communications	• 2nd in Mesh and Infrastructure Independent Networks • 3rd in Advanced radiofrequency communication, Protective cybersecurity technologies • 3rd in AI algorithms, machine learning, Natural Language Processing
Advanced Materials	• 2nd in Advanced Composite Materials, Smart Materials • 3rd in Nanoscale Materials, Coatings, Advanced Explosives
Energy	• 2nd in Biofuels • 3rd in Supercapacitors, Nuclear waste management & recycling • 4th in Nuclear Energy, Hydrogen and ammonia for power

*Note: ASPI's rankings are research-output based and indicate relative scientific leadership and do not necessarily capture industrial maturity, commercial deployment, or production capabilities.
Source: ASPI Critical Technology Tracker.

Gross Expdt on R&D (GERD) = 0.64% of GDP < Global Avg

US = 3.48%, China = 2.43%, SK = 4.91%

low R&D by pvt sector in Total Exp. on R&D

India = 41%, China = 77%, US = 75%, SK = 79%

Anusandhan National Research Foundation (ANRF) Act-2023

↳ funding, direction, Collab b/w academia & Industry

Research Development & Innovation scheme (RDI)-2025

→ @ 7 ILCY (AI, Robotics, Space, C.C, Digital Eco)

→ GoI → ANRF → DST (Nodal Agency)

↳ AIF, NBFCs, DFI = Loan & Equity

Missions: India AI Mission, National Green Hydrogen Mission (5 MMT/yr GH by 2030), Quantum Mission

4. Quality Control

* QCO → regulatory instruments mandated to meet quality std.
* 2019-2023: No. of QCOs = x3

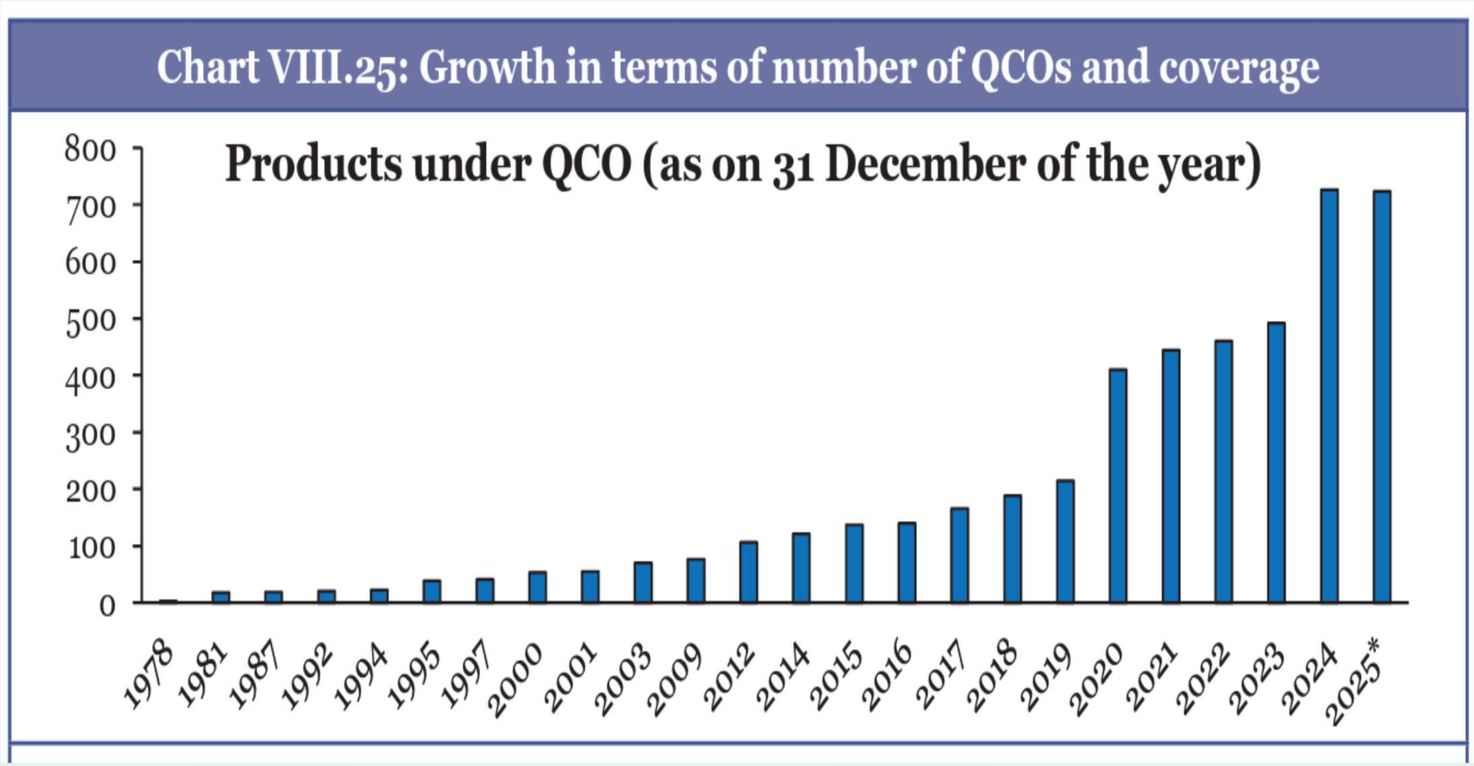
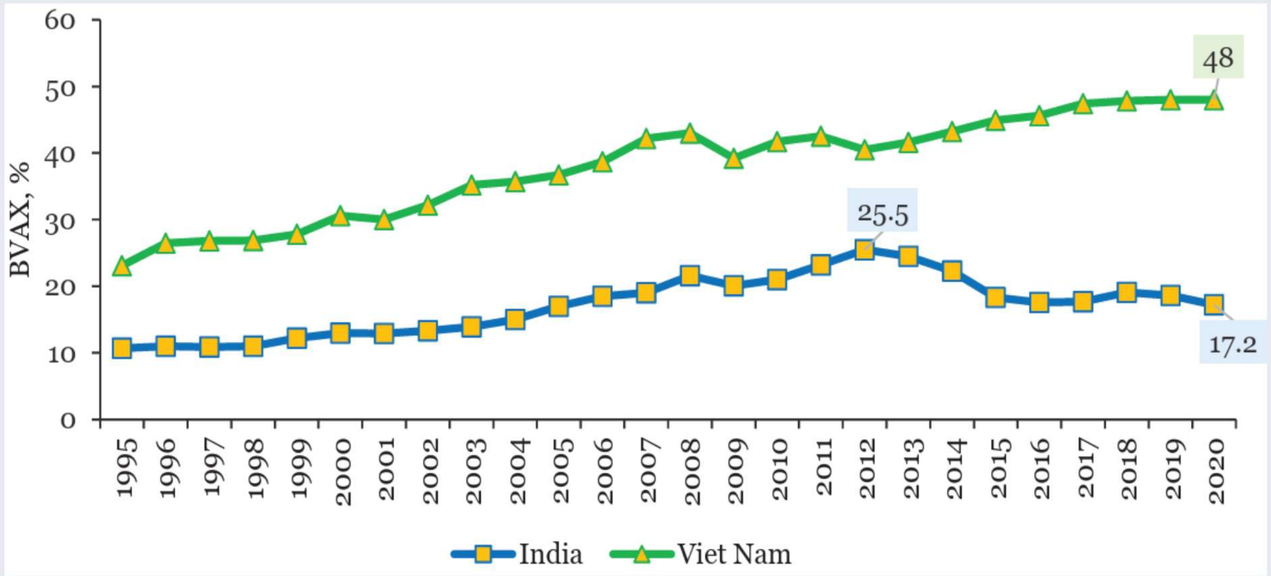


Chart VIII.29: Backward GVC Participation – BVAX (as per cent of Gross Exports), India and Vietnam



Source: OECD-TiVA database.

High BVAX → ↑ participation in GVA

	1995	2012	2020
India	10.7%	25.5%	17.2%
Vietnam	20%	35%	48%

$$\text{BVAX Ratio} = \frac{\text{Foreign VA}}{\text{Gross export}}$$

↓

% of import content in a country's export