



The Indian Economy Is a Rapidly Growing, In World

Dr. Gopal Swaroop Sharma

Assistant Professor

Deptt. of Economics

Govt. Degree College, Arniya, Bulandshahr (U.P.)

Email : dr.gopalsharma725@gmail.com

Abstract –

The Indian economy is a rapidly growing, large, and complex market that is currently the fourth largest in the world. Recent growth has been driven by strong domestic demand, policy reforms, and robust performance in manufacturing, services, and infrastructure sectors. India is projected to become the world's third-largest economy by 2030 and is focusing on structural reforms and initiatives like Viksit Bharat 2047 to achieve high middle-income status. Growth: India is one of the fastest-growing major economies, with a real GDP growth of 7.8% projected for Q1 of FY 2025-26. Global rank: The economy surpassed Japan in June 2025 to become the fourth largest in the world. It is projected to become the third largest by 2030. Stability: The economy has shown resilience, balancing expansion with price stability, as indicated by easing inflation and improving fiscal and external balances. Confidence: There is growing domestic and international confidence, reflected in strong capital market participation, record exports, and healthy foreign exchange reserves. Policy reforms: Government initiatives, such as the Next-generation GST, have been crucial in improving the ease of doing business and positioning India as a competitive market. Sectoral strength: Key sectors like manufacturing, services, and infrastructure are performing strongly, supported by steady investment and policy focus. Job creation: India has seen significant job creation, with 17 crore jobs created in the past decade. Inclusive growth: A major challenge is ensuring that the benefits of growth are shared inclusively and translate into tangible improvements in the daily lives of all citizens. Economic disparities: Some research suggests that inequality has widened, with growth disproportionately benefiting certain sectors and large conglomerates at the expense of smaller firms. Structural issues: Challenges remain in the agricultural sector, including overregulation and inadequate infrastructure, though the government is implementing schemes to address these. Planned economy: India's economy has evolved from a planned economy since 1951, with initial focus on heavy industry, agriculture, and social development. 1991 reforms: The economic liberalization reforms in the early 1990s marked a major turning point, opening up the economy to the global stage. Poverty reduction: The period since 2000 has seen remarkable development, including almost quadrupling the economy in real terms and a substantial reduction in extreme poverty.

Keywords. Planned economy. Inclusive growth. Sectoral strength. FDI

Introduction, The Indian railway system is regarded as the foundation and lifeblood of the economy. Indian railways span thousands of kilometres practically covering the entire nation, making it the fourth largest in the world after the US, China, and Russia. The Railways Board, which has a monopoly over the provision of rail services in India, oversees overseeing the whole infrastructure. Due to its low cost and effective operations, railways continue to be the most popular means of transportation for most Indians when travelling long distances.

India's railway network is recognised as one of the largest railway systems in the world under single management. The railway network is also ideal for long-distance travel and movement of bulk commodities, apart from being an energy-efficient and economic mode of conveyance and transport. Indian Railways is the preferred carrier of automobiles in the country. The government of India has focused on investing in railway infrastructure by making investor-friendly policies. It has moved quickly to enable [Foreign Direct Investment \(FDI\)](#) in railways to improve infrastructure for freight and high-speed trains. At present, several domestic and foreign companies are also looking to invest in Indian rail projects.



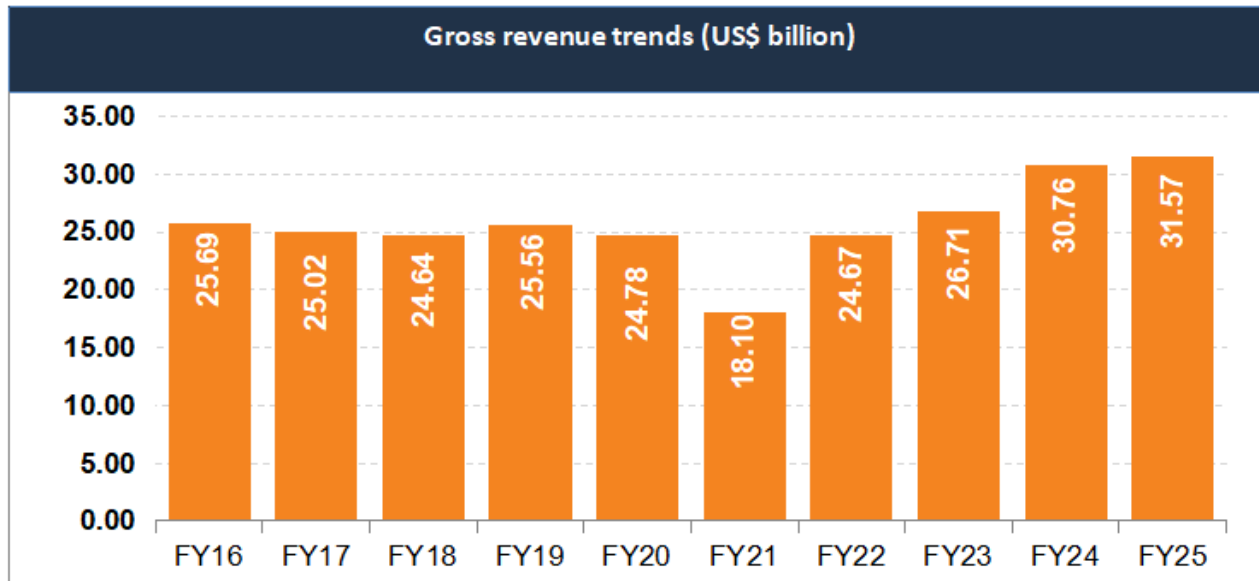
Indian Railways, as of 2025, has expanded 35,000 km of track, produces 30,000 wagons and 1,500 locomotives annually, increased freight share to 29 %, cut accidents by 80 %, and plans 1,000 new trains and bullet train operations by 2027.

Indian railways launched Semi-high-speed self-propelled trains that have ultra-modern features like quick acceleration, a substantial reduction in travel time, a maximum speed of 160 kmph, on-board infotainment and GPS-based passenger information system, automatic sliding doors, retractable footsteps and Zero discharge vacuum bio-toilets, CCTV cameras etc. and other contemporary features as per global standards. According to Indian Railways 2023 book, Indian railways plan to market semi-high speed 'Vande Bharat' trains by 2025-26 to European, South American, and East Asian markets for exporting '[Made in India](#)' trains.

Market Size

Indian Railways has registered a record revenue of Rs. 2,70,000 crore (US\$ 31.57 billion) by the end of FY25. Revenue of Indian railway sector companies is expected to grow 5 % in FY26, with operating margins around 12 %, supported by government capital outlay of Rs. 2,52,000 crore (US\$ 29.41 billion) and a strong order book-to-income ratio of 2.77.

Foreign Direct Investment (FDI) inflows in railway-related components stood at Rs. 9,163 crore (US\$ 1.43 billion) from April 2000-March 2025. As of April 1, 2025, Indian Railways has sanctioned 431 infrastructure projects, including 154 New Line, 33 Gauge Conversion and 244 Doubling, covering 35,966 km at an estimated cost of Rs. 6,75,000 crore (US\$ 78.41 billion). Out of this, 12,769 km has



Source: Ministry of Railways

been commissioned, with an expenditure of approximately Rs. 2,91,000 crore (US\$ 33.65 billion) up to March 2025.

Indian Railways plans to invest Rs. 16,70,000 crore (US\$ 193.98 billion) by 2031 to modernise 1,309 stations, expand freight corridors, develop high-speed rail projects, and electrify tracks, aiming to boost operational efficiency and reduce logistics costs.

India's export of railways grew at and reached US\$ 315 million in FY24 as compared to US\$ 173 million in FY21. Since 2016, Indian Railways has exported over 1,000 rail cars, 3,800 bogies, 4,000 flatpacks, and 5,000 propulsion systems to countries including Australia, Canada, Germany, Egypt, Sweden, Brazil, the UK, Saudi Arabia, France, Mexico, Romania, Spain, Italy, Mozambique, Senegal, Sri Lanka, Myanmar, Bangladesh, and the Republic of Guinea, reflecting rapid growth in global exports up to 2025.

The Marhowrah Diesel Locomotive Factory in Bihar will export 150 Evolution Series ES43ACmi locomotives to Guinea's Simandou iron ore project under "Make in India," in a Rs. 3,000 crore (US\$ 345.9 million) deal, boosting India's global railway exports with advanced 4,500 HP locomotives and creating over 2,100 jobs nationwide.

Number of passengers increased by 67 crore to reach 715 crore in FY25.

144 Vande Bharat trains are operational as of August 2025.

Indian Railways will launch the first Vande Bharat Sleeper train in September 2025, offering speeds up to 180 kmph. With features like USB charging, modular pantries, enhanced safety, and showers in 1st AC coaches, it aims to redefine long-distance rail travel.

As of March 2025, Indian Railways operates more than 13,000 passenger trains, including 4,111 Mail and Express trains, 3,313 Passenger trains, and 5,774 Suburban trains.

During FY25, the total freight revenue stood at Rs. 1,75,000 crore (US\$ 20.50 billion), compared to Rs. 1,68,293 crore (US\$ 19.37 billion) achieved during the same period last year.

In August 2025, Indian Railways posted a record Rs. 14,100 crore (US\$ 1.6 billion) in freight earnings, with total freight volume rising 8.5% YoY to 130.9 million tonnes, driven by strong coal, steel, fertiliser, and diversified cargo growth. Cumulative freight loading for FY26 so far increased 3.1% to 673.6 million tonnes, while coal, which forms over half of the freight basket, is expected to see higher post-monsoon loading from Q3.

During FY25, the total passenger revenue stood at Rs. 94,927 crore (US\$ 11.10 billion), compared to Rs. 70,693 crore (US\$ 8.77 billion) achieved during the same period last year.

Passenger volume on Indian Railways grew 6 % in FY25 to over 7 billion passengers, with revenue rising nearly 50 % to Rs. 75,215 crore (US\$ 8.7 billion), boosted by Vande Bharat trains and higher chair car earnings.

In FY25, Indian Railways loaded 1,617.0 MT of freight and Revenue rose by approximately Rs. 1.75 lakh crore (US\$ 20.5 billion) compared to 1.70 lakh crore (US\$ 19.8 billion) last year.

Indian Railways has boosted operational efficiency by modernising trains and stations, improving punctuality to 80% in FY26, deploying advanced Vande Bharat, Amrit Bharat, and Namo Bharat services, upgrading tracks and signaling, expanding bio-toilet coverage, and streamlining catering, all while maintaining affordable fares for over 720 crore passengers.

Indian Railways is developing and creating technology in areas such as signalling and telecommunication with 15,000 km being converted into automatic signalling and 37,000 km to be fitted with 'KAVACH', the domestically developed Train Collision Avoidance System.

Investments/ Developments

Following is some of the major investments and developments in India's railways sector:

- As of April 1, 2025, Indian Railways has sanctioned 431 infrastructure projects, including 154 New Line, 33 Gauge Conversion and 244 Doubling, covering 35,966 km at an estimated cost of Rs. 6,75,000 crore (US\$ 78.41 billion). Out of this, 12,769 km has been commissioned, with an expenditure of approximately Rs. 2,91,000 crore (US\$ 33.65 billion) up to March 2025.
- In 2025-26, Railways' capital expenditure is targeted at Rs. 3,02,000 crore (US\$ 34.7 billion).
- Indian Railways unveiled its first 9,000 HP electric locomotive in April 2025 to boost hauling capacity and operational performance.
- The Rs. 1,800 crore (US\$ 209.1 million) "Brahma" rail coach hub near Bhopal will be developed as a green factory with zero liquid waste, renewable energy use, rainwater harvesting, and sustainable materials, setting new eco-friendly benchmarks in rail manufacturing.
- The Delhi-Mumbai and Delhi-Howrah routes are being upgraded to 160 kmph, with new 3rd and 4th lines being constructed on several sections, double-line freight corridors commissioned, and the Mumbai-Ahmedabad High-Speed Rail Corridor under active construction.
- As of March 2025, Indian Railways had electrified 68,701 km (98.83%) of its 69,512 km broad-gauge network, with the remaining 811 km expected to be completed by Q3 FY26.
- A wave of on-demand, shared, and electric-powered urban transportation services will generate Rs. 56,44,320 crore (US\$ 660 billion) in revenue globally by 2030.
- Over 21,800 track km (TKM) of Indian Railways are now fit to run semi-high-speed trains of 130 km per hr in India, as per an internal report of the Ministry.
- Around 76% of the excavation work has been completed on the Mumbai bullet train station located at 'Bandra Kurla Complex' (BKC), which is the only underground station on the Mumbai-Ahmedabad High-Speed Rail Corridor. According to the official report, 14.2 lakh cubic metres of the excavation work has been completed. 18.7 lakh cubic metres of earthwork must be excavated from this site.
- In a significant move towards enhancing passenger experience by returning the lost/missing mobile phones, the Railway Protection Force (RPF) has successfully onboarded with the Central Equipment Identity

Register (CEIR) portal of the Department of Telecommunication. This initiative follows the success of a pilot program in the Northeast Frontier Railway (NFR).

- Indian Railways has taken a major step towards automation and efficiency in rolling stock maintenance by signing a Memorandum of Understanding (MoU) with the Delhi Metro Rail Corporation (DMRC) for the procurement and installation of Automatic Wheel Profile Measurement Systems (AWPMS).
- India is in the process of developing high-speed train sets capable of reaching a maximum speed of 280 km/h. These trains are being designed and manufactured by the Integral Coach Factory in collaboration with BEML. Each train car is estimated to cost approximately Rs. 28 crore (US\$ 3.2 million) and will incorporate advanced features such as aerodynamic designs, sealed gangways, and modern amenities.
- India aims to transform Indian Railways into a net-zero emitter as part of its broader energy goals by 2030, as confirmed by Prime Minister Mr. Narendra Modi.
- The implementation of the PPP model is anticipated to meet the growing demand for mineral and coal transportation, with the development of these corridors, integral to the economic corridor program, projected to attract over Rs. 5.25 lakh crore (US\$ 60.43 billion) in investments by 2031.
- Siemens Ltd announced on Monday that it has been awarded a Rs. 210 crore (US\$ 24.2 million) contract by IRCON International Ltd for the electrification of the Sivok-Rangpo rail line.
- As of April 1, 2024, Indian Railways has 488 railway infrastructure projects underway, including 187 new lines, 40-gauge conversions, and 261 doubling projects, totalling 44,488 km and costing approximately Rs. 7.44 lakh crore (US\$ 89.4 billion). Of this, 12,045 km has been commissioned, with an expenditure of around Rs. 2.92 lakh crore (US\$ 35.1 billion) incurred by March 2024.
- Indian Railways has achieved a remarkable expansion of 31,180 km from 2014 to 2024.
- Prime Minister, Mr. Narendra Modi lays the foundation stone and dedicates to the nation multiple developmental projects worth over Rs. 1.06 lakh crore (US\$ 12.8 billion) in Ahmedabad, Gujarat.
- Prime Minister, Mr. Narendra Modi, rides the underwater metro and launches Rs. 15,400 crore (US\$ 1.8 billion) projects in Kolkata for better connectivity.
- In 2024-25, railways' capital expenditure is targeted at US\$ 30.33 billion (Rs. 2.52 lakh crore).
- As on January 31, 2024, 41 trains of the Vande Bharat service are running on the Indian Railways, linking states with a Broad Gauge (B.G.) electrified network.
- In October 2023, it was reported that, India's investments in infrastructure will rise to Rs. 143 trillion (US\$ 1.71 trillion) between the financial years 2024 and 2030, as per analytics firm CRISIL.
- With a view to improve rail connectivity and ease travel for commuters, the Union Cabinet approved seven projects for the Ministry of Railways in August 2023 at a cost of around Rs. 32,500 crore (US\$ 3.93 billion). Spanning 35 districts in nine States - Uttar Pradesh, Bihar, Telangana, Andhra Pradesh, Maharashtra, Gujarat, Odisha, Jharkhand, and West Bengal, the projects will add 2,339 km to the existing network.
- In June 2023, IRCON (formerly Indian Railways Construction Company Limited) signed a memorandum of understanding (MoU) with the National Investment and Infrastructure Fund Limited and Ayana Renewable Power Limited. This partnership will consider suitable opportunities for solar energy production for the Indian Railways as they intend to increase the share of renewables in their overall energy mix.
- In FY23, Northwestern Railway registered the highest growth in freight earnings at Rs. 6,839.93 crore (US\$ 832.39 million), which is 30.82% higher than last year's earnings of Rs. 5,228.13 crore (US\$ 636.3 million). Freight loading also increased to 32.69 million tonnes, which is 10.07% higher than last year's loading of 29.70 million tonnes.
- One major development is the launch of the "Vande Bharat Express", India's first semi-high speed train. This train, which can reach speeds of up to 160 km/h, has been manufactured indigenously by the Indian

Railways' Integral Coach Factory. It features several modern amenities such as onboard Wi-Fi, GPS-based passenger information system, and CCTV cameras.

- The focus on increasing the use of technology to improve safety and efficiency. This includes the use of CCTV cameras in trains and at stations, the implementation of an Automatic Train Protection (ATP) system to prevent collisions, and the use of GPS-based systems for real-time tracking of trains.
- Indian Railways is also working on upgrading its infrastructure, with a focus on electrification of lines, the construction of new lines, and the redevelopment of existing stations. The government has also announced plans to invest in high-speed trains, such as the Mumbai-Ahmedabad High-Speed Rail project, which is being implemented with the assistance of Japan.
- Indian Railways aims to achieve 100% electrification of all broad-gauge routes by 2023.
- The Indian Railways is likely to deliver 58 supercritical as well as 68 critical projects worth more than Rs.1,15,000 crore (US\$ 15.44 billion) in the next few years. 29 supercritical projects—spanning 1,044 km and costing Rs. 11,588 crore (US\$ 1.5 billion)—have been commissioned. Four projects worth Rs. 1,408 crore (US\$ 189.05 million) have been completed and the remaining projects are targeted for completion by March 2024.
- The Indian Railways completed eight major capacity enhancement projects by taking advantage of the coronavirus lockdown. These projects included three supercritical projects with a combined length of 68km, three critical projects with a combined length of 45km, upgradation of the entire 389km railway line from Jhajha in Bihar to Pandit Deen Dayal Upadhyaya Junction in Uttar Pradesh and a new 82km port connectivity line to Paradip.
- As a part of the Railways' plans to upgrade its network, the Ministry announced that all non-AC sleeper coaches will be replaced by AC coaches for trains running >130 kmph. This move has been taken as a technical necessity for high-speed trains with the bonus of improving the passenger experience.

Government Initiatives

The Government of India has adopted few initiatives for the Railways sector in the recent past, some of these are as follows:

- Under the Union Budget 2025-26, the government allocated Rs. 3.02 lakh crore (US\$ 34.7 billion) compared to Rs. 2.52 lakh crore (US\$ 30.3 billion) in 2024-25 to the Ministry of Railways.
- In December 2023, the Indian Railways introduced the Amrit Bharat Express, a fully non-AC, affordable modern train service for low and middle-income families. As of August 2025, 14 services are in operation with enhanced safety and comfort features.
- Andhra Pradesh plans a South India bullet train corridor connecting Hyderabad, Chennai, Amaravati, and Bengaluru, serving over five crore people and boosting trade, jobs, and regional economic growth.
- From July 2025, introduced Aadhaar-authenticated Tatkal bookings, OTP verification, revised fares, early reservation charts, and agent restrictions to improve passenger convenience and transparency.
- The RailOne app, launched on 1 July 2025, offers passengers a single platform for unreserved ticketing, live train tracking, grievance redressal, and other services, while the modern PRS set for December 2025 will handle high-volume bookings efficiently.
- The UTS mobile app now covers 9,120 stations, with around 2.34 lakh tickets booked daily, facilitating travel for approximately 14.21 lakh passengers and generating revenue of about Rs. 1.33 crore (US\$ 1,54,490) each day.
- As of March 2025, out of the total 2,843 km of India's DFC, comprising the EDFC from Ludhiana to Sonnagar (1,337 km) and the WDFC from Jawaharlal Nehru Port Terminal to Dadri (1,506 km), 2,741 km (96.4%) has been commissioned and made operational.

- In an initiative to decarbonise rail transport, Indian Railways is collaborating with public sector enterprises to accelerate track electrification, achieving 45,922 route kilometres (RKM) electrified between 2014 and February 2025, marking more than a fivefold increase compared to 21,801 RKM electrified before 2014.
- Passenger safety and experience have improved with modern trains (Vande Bharat, Amrit Bharat, Namo Bharat), Kavach implementation, elimination of level crossings, 1,337 redeveloped stations, Bharat Gaurav tourist trains, digital payments, and Rolling Blocks for planned maintenance.
- Indian Railways is modernising its long-standing train control systems to enhance safety, improve efficiency, and support faster, more reliable operations across the network.
- Starting November 1, 2024, Indian Railways has revised its ticket booking rules by reducing the advance reservation period (ARP) from 120 days to 60 days.
- The Union Cabinet chaired by Prime Minister Mr. Narendra Modi announced about the MoU signed with USAID/India on June 14, 2023, help Indian Railways achieve Net Zero Carbon Emission by 2030.
- Indian Railways (IR) is proactively working towards the achievement of Net Zero Carbon Emission by 2030.
- As part of its commitment to reduce carbon footprints, Indian Railways is taking several initiatives. In line with this, a Memorandum of Understanding (MoU) was signed between Indian Railways, Government of India and United States Agency for International Development/India (USAID/India) on 14th June 2023 for collaboration on Renewable energy and Energy Efficiency. The MoU was signed by Shri Naveen Gulati, Member (Traction and Rolling Stock), Railway Board, Indian Railways and Ms. Isabel Coleman, Deputy Administrator, USAID, in the presence of Sh. Anil Kumar Lahoti, Chairman & CEO, Railway Board.
- Under the Union Budget 2023-24, capital outlay of Rs. 2.40 lakh crore (US\$ 29 billion) has been allocated to the Ministry of Railways, which is the highest ever outlay and about nine times the outlay made in 2013-14.
- Under the Union Budget 2023-24, the government allocated US\$ 29 billion to the Ministry of Railways.
- The Bairabi-Sairang project aims to create an additional 51.38 km of railway track in northeast India.
- 100 PM-GatiShakti Cargo Terminals for multimodal logistics facilities will be developed over next three years.
- Multimodal connectivity between mass urban transport and railway stations will be facilitated on priority.
- 2,000 km of network will be brought under Kavach, the indigenous technology for safety and capacity augmentation.
- 'One Station-One Product' concept will be popularized to help local businesses and supply chains.
- The new & upgraded version of Vande Bharat Express between Gandhinagar Capital & Mumbai Central was inaugurated by Prime Minister Mr. Narendra Modi on September 30, 2022.
- The Government is going to come up with a 'National Rail Plan' to enable the country to integrate its rail network with other modes of transport and develop a multi-modal transportation network.
- A 'New Online Vendor Registration System' has been launched by Research Designs & Standards Organisation (RDSO), the research arm of Indian Railways, to have digital and transparent systems and procedures.
- The Ministry of Railways plans to monetize assets including Eastern and Western Dedicated Freight Corridors after commissioning, induction of 150 modern rakes through PPP, station redevelopment through PPP, railway land parcels, multifunctional complexes (MFC), railway colonies, hill railways and stadiums.

Road Ahead

Indian Railway network is growing at a healthy rate. In the next five years, the Indian railway market is expected to be the third largest, accounting for 10% of the global market. The government has announced two key initiatives for seeking private investments-running passenger trains by private operators across the

railways network and redevelopment of railway stations across the country. According to Indian Railways, these projects have the potential of bringing an investment of over US\$ 7.5 billion in the next five years. Introducing 3,000 new trains over the next four to five years to increase the current passenger capacity of the railways from 800 crore to 1,000 crore, with a focus on meeting the needs of the expanding population. 'Adarsh' Station Scheme has been started in 2009-10 and presently, railway stations are upgraded/modernised based on identified need of providing better-enhanced passenger amenities at stations. Under the scheme, 1,253 stations have been identified for development, out of which 1215 stations so far have been developed. Indian Railways is also looking at other areas of revenue generation such as the



following: a) Change in composition of coaches so that it can push the more profitable AC coach travel; b) Additional revenue streams by monetising traffic on its digital booking IRCTC; and c) Disinvesting IRCTC.

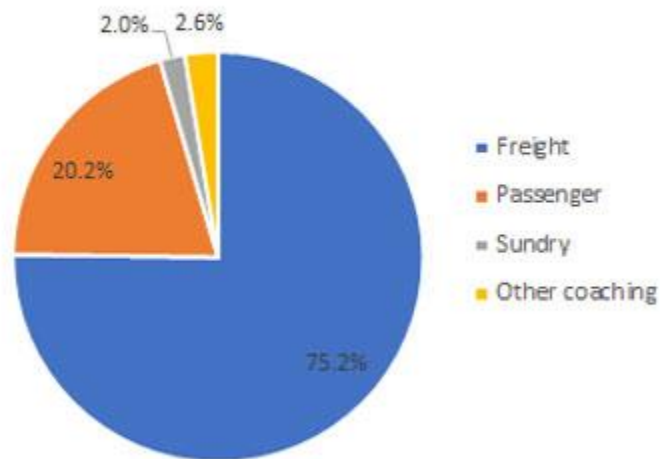
References: Press Releases, Department of Industrial Policy and Promotion, Press Information Bureau, Media Reports, Railways Budget 2025-26, Indian Railways

Railways Industry Report

Aug, 2025

Indian Railways

Revenue breakdown by segment (FY22)



Industry Contacts

India's Economic Resilience Amid Global Headwinds

This editorial is based on *“Among the challenges ahead for India, trade is the biggest risk to growth”* which was published in *Business Standard* on 07/05/2024. The article brings into picture India's 7.8% GDP growth in April–June 2025, the strongest in five quarters, while also highlighting risks from US tariffs, weak nominal growth, and GST rationalization that could strain fiscal stability.

For Prelims: US trade tariffs, Imported Inflation, Economic Survey 2024-25, Make in India, Atmanirbhar Bharat, Unified Payments Interface, Green hydrogen, SEMICON India Programme, India Semiconductor Mission.

For Mains: Key Challenges that Indian Economy Confronting Amid Global Headwinds, Opportunities that Geo-economic Disruptions Present for India

India's economy delivered a surprising **7.8% GDP growth in the first quarter**, the highest in five quarters (**April-June 2025**), driven by broad-based expansion across agriculture, manufacturing, and services sectors. However, this strong performance faces significant headwinds from **US trade tariffs** that could impact **66% of Indian exports with levies of 50% or higher**. Additional concerns include **low nominal GDP growth at 8.8%** could complicate fiscal management. In this environment of mixed signals and external pressures, the **Indian economy needs greater resilience to navigate the challenging path ahead**.

What Key Challenges is the Indian Economy Confronting Amid Global Headwinds?

- **Adverse Global Trade Environment:** India's trade landscape is increasingly burdened by **escalating global protectionism** and geopolitical conflicts.
 - The US has imposed steep **50% tariffs on Indian goods**, signaling **Washington's displeasure over Delhi's continued oil and defense ties with Russia**.
 - These tariffs also threaten key sectors like textiles, engineering goods, and chemicals, undermining growth prospects.
 - Also, **Indian export growth dropped sharply to 3.9% in Q4 FY24, from 7.4% in the previous quarter**.
 - This significantly hampers India's ability to remain competitive in critical markets.
- **Global Inflation and Commodity Price Shocks:** Rising global inflation, largely driven by **surging oil and food prices**, is putting immense pressure on India's domestic prices (**Imported Inflation**).

- For instance, **imported inflation surged in India**, rising from **1.3% in June 2024 to 31.1% in February 2025**, driven by rising prices of precious metals, oils, and fats.
- This, in turn, leads to higher inflationary pressures, which could breach the **RBI's target range of 4-6%**.
- The challenge for India is to balance monetary easing to stimulate growth while managing rising inflation due to global supply shocks.
- **Geopolitical Risks and Supply Chain Disruptions:** Geopolitical risks, particularly arising from tensions in **Europe and the Indo-Pacific**, have led to persistent disruptions in global supply chains.
- For India, this has meant higher costs for imported raw materials and intermediate goods.
- The **Economic Survey 2024-25** highlighted that escalating global geopolitical tensions, **ongoing conflicts in the Red Sea region** disrupting major shipping lanes, and protectionist trade policies have elevated transport costs and created uncertainty in supply chains.
- **Tightening Global Financial Conditions and Rupee Depreciation:** The tightening of global financial conditions, especially from the **US Federal Reserve's interest rate hikes**, is exerting pressure on the Indian rupee.
- The Indian rupee plummeted to a record low of 88.36 against the U.S. dollar due to concerns over potential U.S. tariffs on India.
- As the **rupee depreciates**, India's ability to **manage external debt and maintain the stability of its foreign exchange reserves becomes even more challenging**, raising concerns over fiscal and financial stability.
- **Slow Global Recovery and Delayed Trade Agreements:** While India is making efforts to diversify its trade partners through deals with regions like the EU and US, **geopolitical disruptions and delayed trade agreements** are slowing down the pace of these negotiations.
- The **India-EU FTA** is yet to be finalized. Similarly, **trade negotiations between India and Canada have experienced a long pause**, mainly due to diplomatic tensions.
- This delay is largely attributed to complex issues such as **data protection, intellectual property rights, and trade tariffs**, alongside diplomatic disagreements over human rights and environmental standards.
- **Decline in Foreign Direct Investment (FDI) from Global Uncertainty:** The global economic slowdown and investor uncertainty, exacerbated by trade tensions and geopolitical risks, have led to a **decline in FDI inflows** into India.
- RBI data shows **net FDI inflows plunged to just \$35 million in May 2025**, down sharply from \$2.2 billion a year ago.
- This decline in foreign investment makes it difficult for India to meet its infrastructure and development goals.
- This drop in foreign capital undermines the **Indian rupee and threatens to destabilize financial markets**, adding pressure to India's external debt and forex reserves.
- **Disruptions in Global Energy Supply Chains:** India's energy sector is under strain due to **global energy supply disruptions**, primarily due to geopolitical tensions and fluctuations in global oil prices.
- With **India importing 80% of its oil**, any significant rise in energy prices, as seen in 2025, adds substantial pressure on the fiscal deficit and inflation.
- This in turn **raises input costs for industries, undermines consumer purchasing power, and hampers growth momentum**.
- The pressure on the balance of payments also increases, as higher import bills strain foreign exchange reserves.

- These dynamics highlight the urgency for India to accelerate its transition towards renewable energy, strengthen strategic oil reserves, and diversify energy partnerships.

What Opportunities do Geo-economic Disruptions Present for India?

- **Diversification of Trade Partners and Supply Chains:** Geo-economic disruptions, such as the **shifting global trade dynamics and supply chain reconfiguration**, present India with an opportunity to become a key player in alternative trade routes and global value chains.
- With Western countries increasingly looking for alternatives to China, India can position itself as a reliable manufacturing and sourcing hub.
- India's "**Make in India**" and "**Atmanirbhar Bharat**" policies are strategically aligned with this shift.
- Also, these disruptions can push India to secure **new trade deals**, particularly with the **Latin America, Africa and ASEAN countries**, positioning India as a trusted manufacturing partner.
- **Potential for Growth in Digital Economy and Tech Exports:** The ongoing global shift towards digital transformation and remote work creates a significant opportunity for India to enhance its leadership in the **global tech services** sector.
- India's deep talent pool in **IT and business process outsourcing (BPO)** is already well-positioned to meet rising global demand for **cloud computing, AI, and cybersecurity** services.
- India's IT industry is likely to hit the **USD 350 billion mark by 2026** and contribute 10% towards the country's gross domestic product (GDP)
- Also, platforms like the **Unified Payments Interface (UPI)** and **Aadhaar** have not only revolutionized domestic transactions but are also being adopted as a blueprint by other countries.
- **Strategic Positioning in Global Energy Transition:** The global push towards a **low-carbon economy** offers India the chance to **become a leader in renewable energy** and **energy storage technologies**.
- India's vast renewable energy potential, particularly in **solar and wind**, positions it as a key player in the **energy transition**.
- The total installed renewable energy (RE) capacity in the country has reached **220.10 GW as of March 2025**.
- The country's ongoing efforts to scale **green hydrogen production** and **battery storage technology** could make India an **exporter of green energy** to global markets.
- With global demand for **clean energy solutions** growing, India can capitalize on this opportunity to meet both domestic energy needs and become a supplier of sustainable solutions worldwide.
- **Strengthening Regional Leadership in South Asia:** Geo-economic disruptions offer India the opportunity to solidify its position as the **leading economic and strategic power** in South Asia.
- As global focus shifts towards **Indo-Pacific stability**, India can expand its influence by fostering deeper economic ties with its neighboring countries, such as Bangladesh, Sri Lanka, and Nepal.
- India's **\$1 billion line of credit to Sri Lanka** in 2023, as well as growing trade and infrastructure investments in **Bangladesh and Nepal**, strengthen its role as a regional leader.
- India can leverage these partnerships to create regional economic blocs, reducing reliance on unstable global supply chains and ensuring its strategic autonomy.
- **Potential for in Global Defense and Aerospace Partnerships:** As global defense strategies shift towards self-reliance and diversification away from traditional powers,
- India has the opportunity to expand its role as a defense manufacturer and strategic partner in global security.
- India's "Make in India" initiative for defense, combined with its growing military-industrial complex, positions it as a key partner in the Indo-Pacific region.

- **India's defence exports** grew over 34 times between FY 2013–14 and FY 2024–25, signaling growing global demand for its defense technologies.
- **Emergence as a Global Leader in Semiconductor Manufacturing:** With the ongoing global chip shortage and increasing reliance on semiconductors for everything from automobiles to consumer electronics, India has a significant opportunity to develop its semiconductor manufacturing capabilities.
 - The central government has launched the **SEMICON India Programme** with an investment of ₹76,000 crore, implemented through the **India Semiconductor Mission (ISM)**, which is a strategic step to attract global players and build a domestic chip manufacturing ecosystem.
 - Global demand for semiconductors is expected to reach \$1 trillion by 2030, and India's focus on advanced manufacturing technologies and skilled labor positions it as a potential hub for semiconductor fabrication plants.
- As countries diversify supply chains away from China, India can emerge as a key player in the global chip market.

How can India Enhance its Economic Resilience and Safeguard Growth Amid Geo-economic Disruptions?

- **Diversified Trade Architecture:** India must reduce overdependence on select geographies by building a **multi-aligned trade strategy** that includes **regional groupings, bilateral agreements, and south-south cooperation**.
 - Creating alternative supply corridors through **friend-shoring and near-shoring** can cushion supply chain shocks.
 - Focus should be on critical sectors like **energy, semiconductors, and rare earths to secure long-term interests**.
- This requires institutionalized frameworks for **strategic trade partnerships**. Such diversification insulates the economy from sudden external volatility.
- **Financial System Shock Absorption:** The financial sector must be fortified with **macro-prudential regulations, counter-cyclical buffers, and stress-testing mechanisms** to withstand external shocks.
 - Promoting deeper **domestic capital markets** and reducing reliance on volatile foreign portfolio flows increases stability.
 - Use of **digital finance and fintech innovation** can ensure continuity of services during disruptions.
- A calibrated **currency management strategy** shields against external turbulence. Such a framework ensures financial resilience even under uncertain global conditions.
- **Resilient Agricultural and Food Systems:** Geo-economic disruptions often impact food supply chains; hence India needs a **climate-smart, technology-driven, and diversified agri-base**.
 - Investments in **post-harvest infrastructure, cold chains, and localised procurement systems** can buffer supply shocks.
 - Promoting **crop diversification and resilient seeds** enhances adaptive capacity. Strategic food reserves managed with transparency can act as shock absorbers.
- This ensures food security, price stability, and rural income resilience simultaneously.
- **Technological Sovereignty and Digital Resilience:** Securing India's **digital ecosystem and critical technologies** is central to future resilience.
 - Developing indigenous capacity in **AI, 5G/6G and cybersecurity** reduces external vulnerabilities.
 - Building **domestic digital infrastructure clouds** safeguards sensitive data from geo-political disruptions.
- Encouraging **R&D and innovation ecosystems** fosters self-reliance while maintaining global competitiveness. Such technological sovereignty creates insulation against techno-economic fragmentation.

- **Human Capital and Labour Resilience:** Resilience is also about people; skilling the workforce in **future-ready domains** ensures adaptability to disruptions.
 - Portable social security systems protect migrant and gig workers from sudden economic downturns.
 - Strengthening **public health systems and workplace safety nets** provides resilience against pandemics or climate-linked shocks.
- **Labour codes** should encourage **flexible yet secure employment models**. Such investments in human capital create a stable base for sustained growth.
- **Regional and Global Leadership Role:** India should position itself as a **rule-shaper in global economic governance**.
 - Proactive leadership in platforms like **G20, BRICS, and Indo-Pacific frameworks** allows India to shape rules of trade, finance, and technology to its advantage.
 - Building **regional financial safety nets and coordinated crisis responses** adds layers of protection.
- **Strategic diplomacy (recent India-China-Russia alignment)** can convert vulnerabilities into **geo-economic leverage**. Such leadership builds not just resilience, but influence.
- **Internationalisation of the Rupee:** A resilient economy requires reducing exposure to external currency shocks by **gradually internationalising the Rupee**.
 - Expanding bilateral and multilateral settlement agreements in Rupees, especially with energy and commodity partners (e.g, Rupee-Rubel Agreement), can cut dependence on the US dollar.
 - Promotion of rupee-denominated trade invoicing, swap lines, and digital rupee linkages strengthens monetary sovereignty.
- Over time, a regional rupee zone can emerge, enhancing both stability and strategic autonomy.
- **Strengthening Domestic Demand Base:** Enhancing domestic demand is vital to insulate India from external slowdowns and supply-chain shocks.
 - A two-pronged strategy is needed
- MSME growth by improving credit access, reducing compliance costs, and leveraging digital platforms.
- reinforcing public capital expenditure in infrastructure, housing, and green technologies to crowd-in private sector participation.
- Simultaneously, expanding domestic tourism, cultural industries can generate new internal multipliers.
- By **combining inclusive consumption with investment-driven growth**, India can create a resilient demand base that cushions against global economic turbulence.

Conclusion:

India's economy stands at a crossroads—**strong in fundamentals yet vulnerable to global headwinds of trade wars**, inflationary shocks, and supply chain disruptions. Building resilience now requires a **holistic approach: diversifying trade, securing energy and food systems, empowering human capital, and deepening domestic demand**. Strategic autonomy through rupee internationalisation and technological sovereignty will anchor India's long-term stability. *"True economic strength lies not in escaping turbulence, but in learning to sail steadily through it."*

References

- Sudalaimuthu, S.; Raj, S. A. (2009). [Logistics Management for International Business: Text and Cases](#). PHI Learning. ISBN 9788120337923.
- ["World Economic and Financial Surveys World Economic Outlook Database—WEO Groups and Aggregates Information April 2020"](#). IMF.org. International Monetary Fund. Archived from the original on 22 December 2019. Retrieved 2 September 2020.
- ["World Bank Country and Lending Groups"](#). World Bank. Archived from the original on 28 October 2019. Retrieved 29 September 2019.

- "World Population Prospects – Population Division – United Nations". United Nations. [Archived](#) from the original on 20 May 2020. Retrieved 2 July 2023.
- "India Datasets". International Monetary Fund. Retrieved 15 October 2025.
- "Global growth broadly unchanged amid persistent services inflation". imf.org.
- https://www.mospi.gov.in/sites/default/files/press_release/GDP_PR_Q1_2025-26_29082025.pdf ^[bare URL PDF]
- "GDP by Sector– India FY2020-21". statisticstimes.com. [Archived](#) from the original on 3 October 2021. Retrieved 3 October 2021.
- "Press note on the First Advanced Estimates for the year 2024–25" (PDF). MoSPI. p. 4. Retrieved 20 January 2025.
- "Statewise Inflation Rates (%) for June 2025 (Based on CPI) | Ministry of Statistics and Program Implementation | Government of India". 10 July 2025. Retrieved 21 July 2025.
- "Poverty headcount ratio at \$3 a day (2021 PPP) (% of population) - India". World Bank. Retrieved 8 June 2025.
- "Poverty headcount ratio at \$8.30 a day (2021 PPP) (% of population) - India". World Bank. Retrieved 8 June 2025.
- "India becomes fourth 'most equal' country globally". The Hindu. 6 July 2025.
- "Human Development Report 2025". UNDP. Retrieved 11 May 2025.
- "CPI 2023: Highlights and insights - News". Transparency International. 30 January 2024. Retrieved 15 February 2025.
- "Press Release". Press Information Bureau, Government of India. Retrieved 20 June 2025.
- "India's Push for Infrastructure Development". investindia.gov.in.
- "Over 80 million people worked under MGNREGA in FY24, shows data".
- "India's construction sector second largest employment generator: Report". The Economic Times. 3 August 2023.
- "Employment in agriculture (% of total employment) (modeled ILO estimate) – India | Data". World Bank. [Archived](#) from the original on 7 June 2019. Retrieved 15 February 2025.
- "Employment in industry (% of total employment) (modeled ILO estimate) – India | Data". World Bank. [Archived](#) from the original on 26 January 2020. Retrieved 15 February 2025.
- "Employment in services (% of total employment) (modeled ILO estimate) – India | Data". World Bank. [Archived](#) from the original on 26 January 2020. Retrieved 15 February 2025.