

India's Budget 2025-26: Strategic Policy Reforms for Global Trade, Investment, and Economic Competitiveness



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India's Budget 2025-26: Strategic Policy Reforms for Global Trade, Investment, and Economic Competitiveness

Context and Background

Economic Context

India stands at a crucial juncture in its economic trajectory as it approaches the 2025-26 budget, navigating a rapidly evolving global trade and investment landscape. With the world's fastest-growing economy, India is leveraging strategic policy interventions to enhance its global trade competitiveness, investment climate, and industrial self-reliance. The country's **GDP growth is projected at 6.5% in 2025 and 6.8% in 2026**, reinforcing its position as an emerging powerhouse in the global economy (Source: [IMF](#)).

The broader global economic environment has been significantly transformed, influenced by supply chain realignments, inflationary pressures, and shifting trade policies among major economies. The post-pandemic recovery and geopolitical trade shifts have forced economies to rethink their trade resilience strategies. Nations worldwide are focusing on diversifying supply chains, attracting foreign direct investment (FDI), and enhancing digital trade ecosystems to navigate economic uncertainties.

One of the most prominent global trends impacting India's trade strategy is the **China+1 strategy**, which involves multinational corporations (MNCs) and businesses diversifying their manufacturing and sourcing operations away from China. This shift is driven by factors such as **rising wages in China, geopolitical trade restrictions, and supply chain vulnerabilities** exposed during the COVID-19 pandemic. India has emerged as one of the leading beneficiaries of this realignment, attracting global manufacturers, technology firms, and investors seeking alternative production hubs.

Recognizing this opportunity, India has been actively positioning itself as a manufacturing and investment destination through key economic initiatives such as **Make in India, Atmanirbhar Bharat (Self-Reliant India), and Production-Linked Incentive (PLI) schemes**. These initiatives strengthen domestic industrial capacity, promote innovation, and create a globally competitive export ecosystem. PLI schemes have attracted over \$40 billion in investments across key sectors such as electronics, automotive, and renewable energy, making India a focal point for supply chain diversification (Source: [DPIIT](#)).

India's commitment to infrastructure modernization—including investments in digital trade facilitation, multimodal logistics networks, and financial sector reforms—has further reinforced its attractiveness to global investors. Implementing **BharatTradeNet**, a digital trade facilitation platform, and the continued expansion of industrial corridors and trade hubs aim to reduce export lead times and enhance logistics efficiencies.

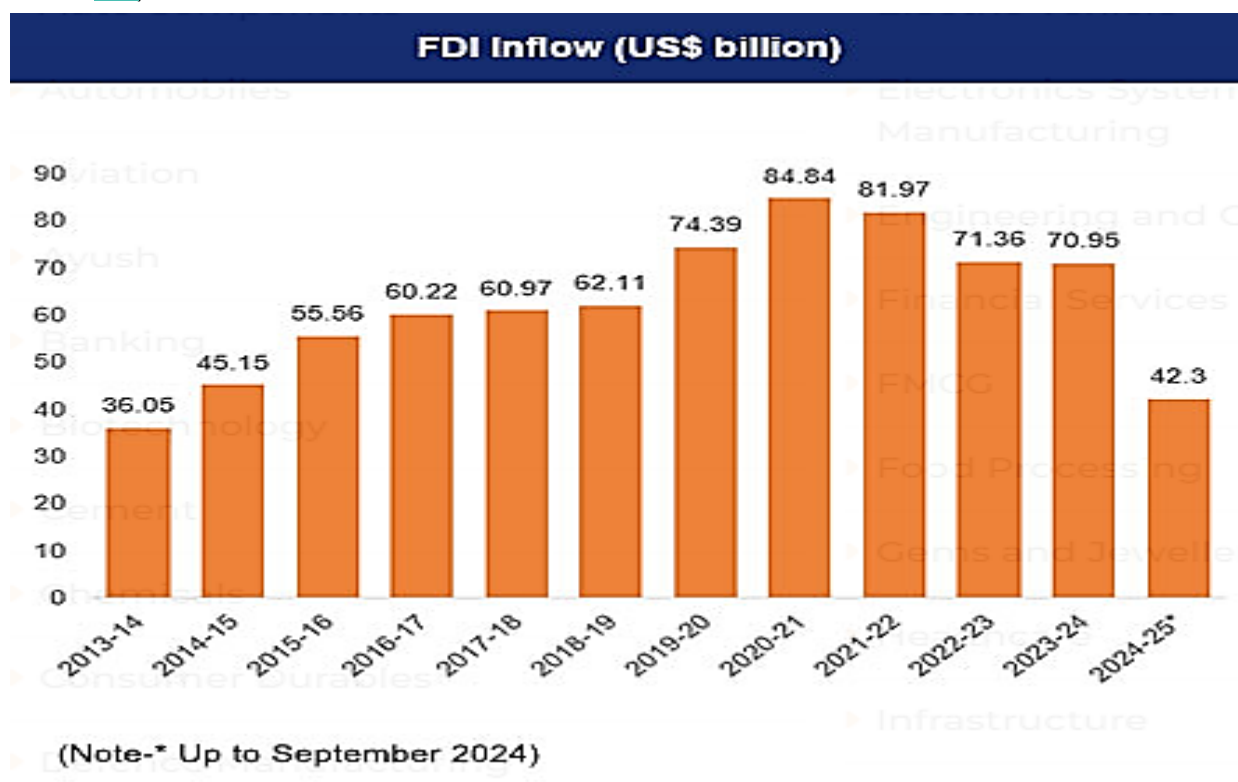
India's FDI Growth Trends and Global Standing

Historical FDI Trends in India

India's Foreign Direct Investment (FDI) inflows have experienced remarkable growth over the past two decades, increasing approximately 20 times from 2000-01 to 2023-24. Progressive policy reforms have driven this surge, liberalized FDI norms, and a consistent push towards improving the ease of doing business. According to the Department for Promotion of Industry and Internal Trade (DPIIT), India's cumulative FDI inflow stood at US\$ 1.03 trillion between April 2000 and September 2024, underscoring the country's attractiveness as a global investment destination. India has consistently ranked among the top global FDI destinations at the global level, competing with economies such as China, Vietnam, and Mexico.

Trends in India's FDI Inflows (2013-2024)

(Source: [IBEF](#))

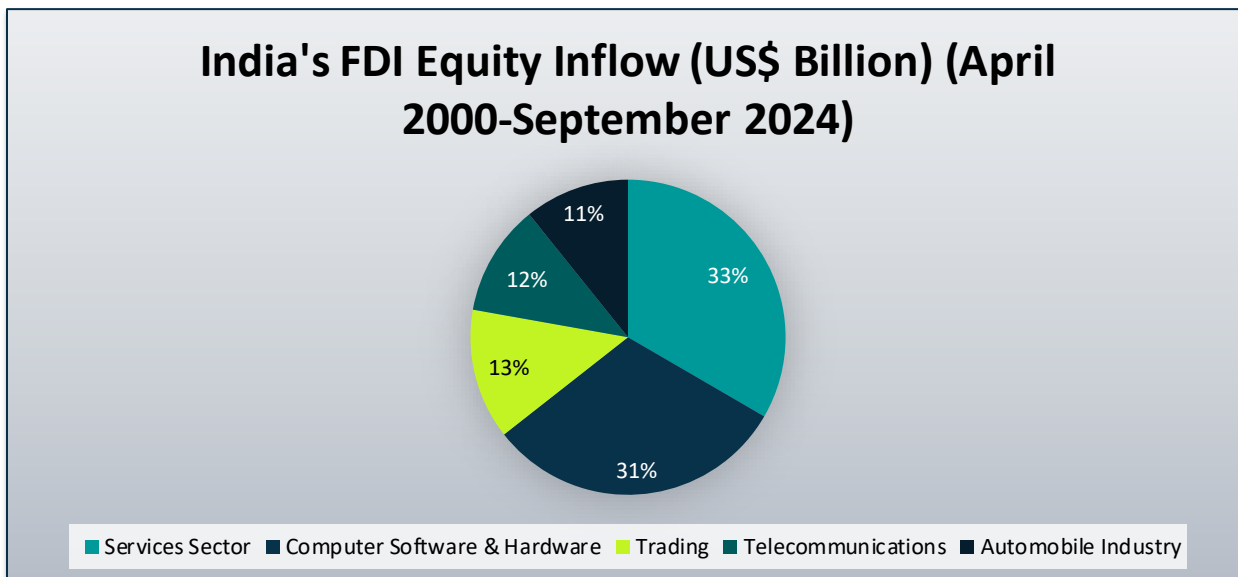


The graph below illustrates India's year-wise FDI inflows over the past decade, showcasing steady growth with some fluctuations influenced by global economic conditions and policy changes.

- FY 2020-21 recorded the highest-ever FDI inflows at US\$ 84.84 billion, driven by increased foreign investments in manufacturing, services, and infrastructure sectors.
- FY 2021-22 saw slightly lower inflows at US\$ 81.97 billion, reflecting global uncertainties but maintaining strong investor confidence.
- FY 2022-23 and FY 2023-24 reported FDI inflows of US\$ 71.36 billion and US\$ 70.95 billion, respectively, indicating sustained investment interest despite global headwinds.
- As of September 2024, India recorded FDI inflows of US\$ 42.3 billion, positioning it on track for another strong year of investment.

Sector-wise FDI Inflows (April 2000-September 2024)

India's FDI inflows have been **concentrated in key high-growth sectors**, with services, technology, and manufacturing leading the investment landscape.



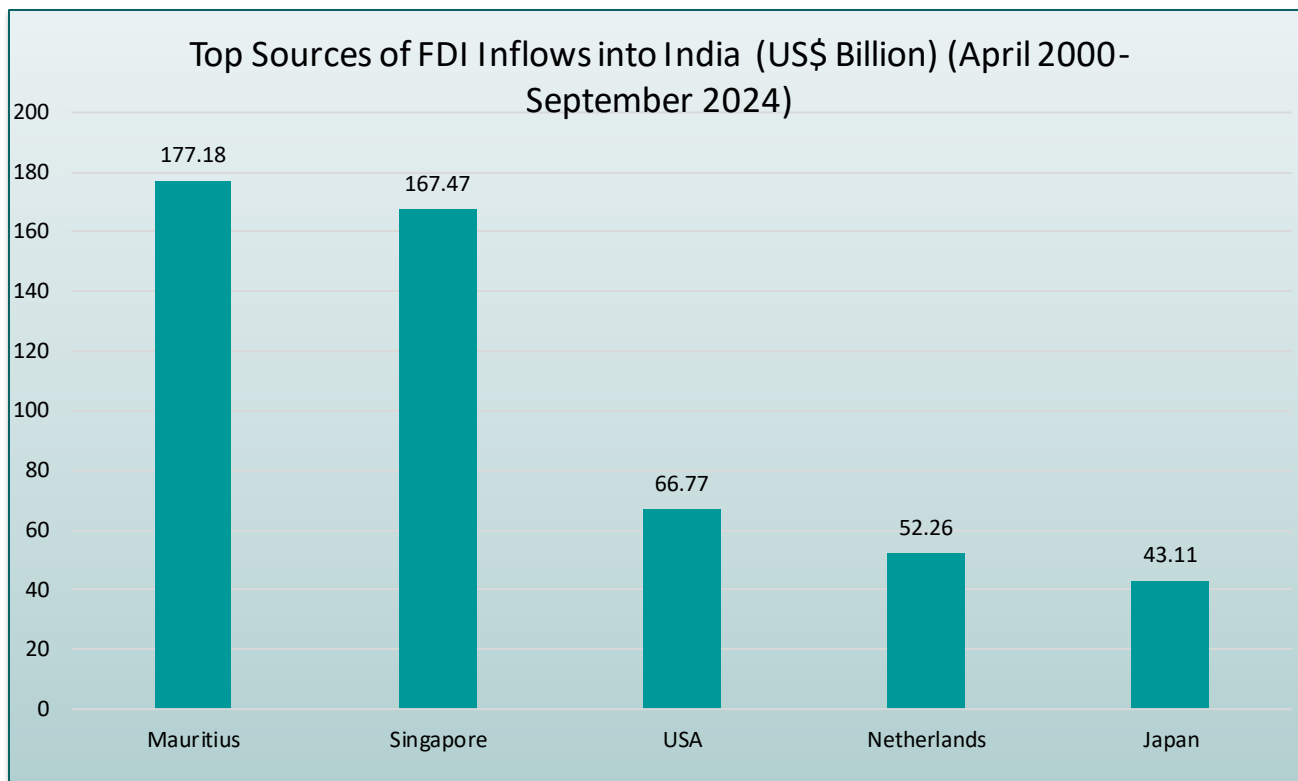
(Source: DPIIT, [IBEF](#))

The above graph shows the distribution of FDI equity inflows across key sectors in India, highlighting the sectors that attract the highest foreign investments. The key insights are:

- 1. Dominance of Services and Technology:** The **Services Sector (\$115.18 billion)** and **Computer Software & Hardware (\$107.07 billion)** together account for over **\$222 billion (31%)** of total FDI equity inflows. This reflects India's strong position as a global hub for IT services, business outsourcing, and digital innovation, demonstrating sustained investor confidence in its knowledge-based economy.
- 2. Diverse Investment Landscape:** While the top two sectors lead, other industries such as **Trading (\$46.2 billion)**, **Telecommunications (\$39.4 billion)**, and the **Automobile Industry (\$37.2 billion)** also attract significant FDI. This indicates a balanced inflow across various sectors, with capital-intensive and consumer-driven industries reinforcing India's appeal as a broad-based investment destination.

Top Sources of FDI into India (April 2000-September 2024)

India has attracted major foreign investments from leading global economies, reflecting strong international investor confidence.



(Source: DPIIT, [IBEF](#))

The above graph shows the **country-wise distribution of FDI inflows into India from April 2000 to September 2024**, highlighting the top investing nations and their respective shares. The key insights are:

- Mauritius and Singapore as Leading Investors:** Mauritius (\$177.18 billion) and Singapore (\$167.47 billion) together account for **nearly half (49%)** of India's total FDI inflows. This dominance is largely attributed to favourable tax treaties and investment structuring benefits, making these countries preferred routes for global investors entering India.
- Diverse Sources of FDI:** While the USA (\$66.77 billion) and European nations like the Netherlands (\$52.26 billion) and Japan (\$43.11 billion) contribute significantly, their share is notably smaller compared to Mauritius and Singapore. While India attracts investments from global economic powerhouses, a significant portion is funnelled through financial hubs known for their investor-friendly regulatory frameworks.

State-wise FDI Inflows (October 2019-September 2024)

Certain states in India have emerged as **top destinations for FDI**, benefiting from strong industrial ecosystems, infrastructure, and policy incentives, as provided in the table below.

State	FDI Equity Inflow (US\$ Billion)	Share (%)
Maharashtra	82.63	31%
Karnataka	54.57	21%

Gujarat	43.15	16%
Delhi	34.92	13%
Tamil Nadu	12.56	5%

(Source: DPIIT, [IBEF](#))

India's Foreign Direct Investment (FDI) trajectory reflects a consistent upward trend, underscoring the country's growing attractiveness as a global investment hub. Despite periodic fluctuations due to global economic conditions, India has maintained strong investor confidence, driven by progressive policy interventions, sectoral liberalization, and infrastructure expansion. The government's strategic focus on FDI-friendly policies, including tax rationalization, enhanced trade facilitation, and digitalization of investment processes, has significantly contributed to this growth. Budget 2025-26 aims to accelerate further FDI inflows by liberalizing investment norms, strengthening industrial corridors, and modernizing logistics infrastructure, making India more competitive in the global market. As the country continues integrating into global value chains (GVCs) and attracting long-term capital investments, businesses and policymakers must strategically align with these evolving opportunities to maximize economic gains. This sustained FDI momentum reinforces India's role as a key player in the global investment landscape and positions it as a preferred alternative to traditional investment destinations amid global supply chain realignments.

The Changing Landscape of Global Trade and Investment

The global economic environment in 2025 presents unique opportunities for India amid geopolitical shifts, supply chain reconfigurations, and evolving investment patterns. The restructuring of global supply chains, accelerated by recent geopolitical tensions and the lasting economic effects of the pandemic, has created a significant opening for India to emerge as a reliable alternative for manufacturing, services, and technology-driven industries.

According to the **World Investment Report 2024**, global Foreign Direct Investment (FDI) flows are increasingly moving toward economies that offer a combination of market size, policy stability, and technological readiness—attributes India has been systematically strengthening through progressive economic reforms. (Source: [World Investment Report](#))

The World Bank's Global Economic Prospects report also highlights that while global trade growth is expected to moderate to **3.3% in 2025**, emerging markets with strong digital infrastructure, simplified regulatory frameworks, and investment-friendly policies will best capture a larger share of trade flows. India's strategic response through Budget 2025-26 directly aligns with these opportunities, focusing on three key pillars:

- A. Trade Facilitation & Export-Led Growth:** Enhancing India's competitiveness in global markets through streamlined customs regulations, trade digitization, and logistics infrastructure modernization.
- B. India's Role in Global Value Chains (GVCs):** Strengthening India's position in global supply chains by incentivizing manufacturing, supply chain resilience, and infrastructure investment.
- C. FDI & Financial Sector Reforms:** Expanding investment-friendly policies, easing capital market restrictions, and fostering long-term FDI flows to support economic growth and innovation.

Given India's position as the world's fastest-growing major economy, the government has strategically leveraged Budget 2025-26 to reinforce global trade linkages, attract sustained FDI, and enhance overall business competitiveness.

The following sections will outline the key budgetary reforms introduced to address these economic priorities, equipping businesses, multinational corporations (MNCs), and policymakers with the insights required to effectively navigate India's evolving economic landscape and capitalize on emerging growth opportunities.

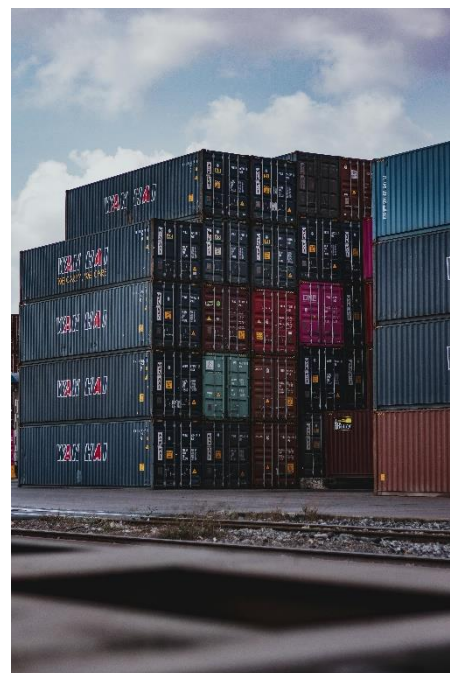
Key Budgetary Reforms

I. Global Trade & Export-Led Growth

BharatTradeNet: Digital Public Infrastructure for Trade

One of the most ambitious reforms introduced in Budget 2025-26 is **BharatTradeNet**, a nationwide digital public infrastructure for trade designed to streamline customs processes, trade documentation, and export financing. This initiative marks a paradigm shift in India's approach to international trade by integrating AI-driven automation, blockchain technology, and real-time data tracking to improve transparency and efficiency.

The Ministry of Commerce and Industry projects that BharatTradeNet will **reduce export documentation time from 11 to 6 documents and cut trade compliance costs by up to 25%** ([Source: Ministry of Commerce](#)). By minimizing procedural delays and offering seamless cross-border transaction capabilities, this reform is expected to benefit Indian exporters, notably Micro, Small, and Medium Enterprises (MSMEs), by improving market access and lowering operational costs. Additionally, BharatTradeNet's integration with global trade networks will enable India to become a more competitive player in international trade.



Export Promotion Mission

In alignment with its vision to enhance global trade competitiveness, India has launched an **Export Promotion Mission** under Budget 2025-26, aiming to achieve **Rs. 2,250 Crore in exports by 2025**. This mission prioritizes high-growth sectors such as electronics, pharmaceuticals, auto components, and technical textiles, backed by strategic policy interventions and infrastructure investments.

The budget provides increased access to export credit to achieve these targets, ensuring that small and mid-sized exporters can expand their global footprint. Additionally, the government has announced the development of **dedicated export hubs in Tier-2 and Tier-3 cities** to decentralize trade activities and strengthen regional economic participation.

Warehousing & Air Cargo Modernization

The Union Budget 2025-26 introduces several key initiatives aimed at modernizing India's warehousing and air cargo sectors to enhance efficiency, streamline trade operations, and improve overall logistics competitiveness.

1. PM Gati Shakti Program

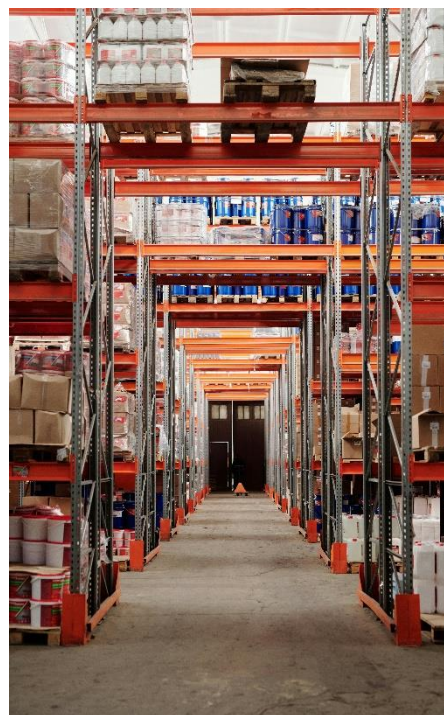
- A key focus on streamlining **air cargo warehousing** to enhance efficiency and **reduce logistics costs**.
- Expected to improve multimodal connectivity, optimize supply chains, and facilitate seamless movement of goods.
- Strengthens the integration of various transportation modes, including rail, road, and air freight.
- Aims to reduce the turnaround time for shipments and increase the capacity of air cargo hubs.

2. Infrastructure Development & Competitiveness

- The budget's focus on infrastructure development is expected to improve India's global logistics competitiveness.
- Investment in logistics parks, multimodal transport hubs, and cold storage chains will support efficiency improvements.
- Strengthening port connectivity and reducing bottlenecks in trade flows will be a key priority.
- Industry experts believe these measures will enhance trade resilience and create a more cost-effective logistics ecosystem.

3. Geospatial & AI-Driven Logistics Solutions

- Investments in geospatial infrastructure are expected to enhance supply chain planning and logistics network optimization.
- AI-driven innovation will play a critical role in improving demand forecasting, reducing delays, and optimizing warehousing operations.
- Digitalization of cargo handling and warehouse management will lead to greater operational agility. (Source: [Indian Shipping News](#), [Cargo Connect](#))



Rationalization of Customs Tariffs & Trade Facilitation

The Budget 2025-26 introduces key customs procedures and tariff rationalization reforms to make import/export operations more seamless and cost-effective. Major initiatives include:

- **Reduction of 7 tariff slabs**, simplifying import-export duties to minimize bureaucratic hurdles.
- **Establishment of a 'Green Channel' for priority export sectors**, ensuring expedited processing for industries such as electronics, pharmaceuticals, and auto components.

These reforms align with global best practices in trade liberalization and regulatory efficiency, making India more attractive to international investors and trading partners (Source: [Budget Summary](#)).

Why These Reforms Matter

Trade liberalization and export-led growth have been critical components of India's economic strategy, but persistent logistics inefficiencies, compliance burdens, and regulatory complexities have historically limited the country's full potential. The 2025-26 budget aims to resolve these structural issues, making India a more efficient, cost-competitive, and digitally enabled trading economy.

- **BharatTradeNet** will position India among the top digitally integrated trade economies, reducing transaction costs and improving ease of doing business.

- The **Export Promotion Mission**, backed by sector-specific growth strategies, will accelerate India's progress toward achieving its **\$1 trillion export target by 2028**.
- **Warehousing and air cargo upgrades** will directly impact supply chain efficiencies, ensuring that Indian exporters can compete with economies like China, Vietnam, and Mexico.
- **Customs tariff rationalization** and AI-driven trade facilitation will reduce delays, improving India's standing in global trade rankings.

These reforms are not just about boosting short-term export performance—they are laying the groundwork for India's long-term positioning in global value chains (GVCs), reinforcing its status as a high-growth export powerhouse.

Challenges in Implementing Trade & Export-Led Growth Reforms

While these reforms are crucial for enhancing India's trade competitiveness and export-led growth, their successful implementation depends on addressing a range of structural, regulatory, and operational challenges. The ambitious policy initiatives outlined in the Budget 2025-26 require seamless execution, policy stability, and coordination between multiple stakeholders. However, if not strategically managed, practical bottlenecks such as infrastructure constraints, bureaucratic inefficiencies, cybersecurity risks, and dependency on fiscal incentives could hinder the desired outcomes. Ensuring the effectiveness of these reforms will require a robust execution framework, policy continuity, and structural improvements in logistics, trade facilitation, and export promotion strategies.

1. Challenges in BharatTradeNet Implementation

The BharatTradeNet initiative represents a significant step toward digitalizing India's trade ecosystem, but its success will hinge on overcoming key structural challenges. A major concern is the digital divide, particularly in Tier-2 and Tier-3 cities, where **many** MSME exporters operate. Many businesses in these regions lack adequate digital infrastructure and technical expertise **to leverage AI-driven trade facilitation fully**, potentially widening the gap between large exporters and smaller enterprises. Additionally, cybersecurity remains a critical risk, as **deploying** a centralized trade facilitation system increases the potential for data breaches and cyber threats, an area where India lags behind in global preparedness. Past digital infrastructure initiatives in India, such as the GST e-invoicing system, experienced lengthy stabilization periods and compliance bottlenecks. If BharatTradeNet encounters similar execution delays, it could diminish the short-term efficiency gains expected from the system, slowing down trade processes rather than streamlining them. Addressing these infrastructure, security, and compliance challenges will be essential to ensure the smooth adoption of this digital trade initiative.

2. Challenges in Implementing the Export Promotion Mission

The Export Promotion Mission sets ambitious growth targets for key industries such as electronics, pharmaceuticals, auto components, and technical textiles, but structural and external challenges could impact its realization. Global economic uncertainties, including geopolitical trade tensions, fluctuations in US Federal Reserve interest rates, and scrutiny from the WTO on India's subsidy-driven incentives, pose potential risks to India's export stability. Furthermore, despite the government's \$10 billion investment in logistics modernization, India's freight costs remain one of the highest globally, at 14% of GDP, compared to 8-9% in developed economies like China and the US. This persistent cost disadvantage affects India's export price competitiveness, particularly in industries where margins are highly sensitive to logistics expenses. Another key concern is the sustainability of the Production-Linked Incentive (PLI) scheme. While PLI programs have successfully attracted foreign investments, they remain highly dependent on government subsidies, raising concerns over whether businesses will continue investing once these incentives phase out. Suppose

complementary measures such as domestic R&D development, supply chain integration, and workforce skill enhancement are not strengthened. In that case, India risks fostering a subsidy-driven industrial ecosystem rather than building self-sufficient export industries. A long-term approach focusing on structural competitiveness and reduced reliance on fiscal incentives will be critical for sustainable export growth.

3. Challenges in Warehousing & Air Cargo Modernization

The modernization of India's warehousing and air cargo infrastructure is a crucial component of its export-driven strategy, but its execution presents several practical challenges. Developing cold storage chains, multi-modal logistics parks, and upgraded air cargo facilities requires coordinated efforts between central and state governments, private sector investors, and regulatory authorities. Historically, logistics infrastructure projects in India have been prone to delays due to land acquisition hurdles, bureaucratic inefficiencies, and environmental clearance bottlenecks. While encouraged, public-private partnerships (PPPs) have often encountered funding gaps, contractual disputes, and misalignment between public objectives and private commercial interests, making their execution complex. While the government aims to reduce freight costs by 15-20%, long-standing logistics inefficiencies, port congestion, inadequate last-mile connectivity, and high fuel and transportation costs remain unresolved challenges. Without clearer regulatory frameworks, well-structured PPP models, and faster project approval mechanisms, the expected efficiency gains from logistics modernization may take longer to materialize, limiting their impact on export competitiveness and supply chain resilience.

Impact on Businesses and Corporate Leaders

The policy changes introduced in Budget 2025-26 are poised to bring transformative shifts for businesses, exporters, and corporate leaders by enhancing trade efficiency, strengthening export competitiveness, and improving the overall ease of doing business. However, given the complexities and challenges of implementing these reforms, stakeholders must navigate this evolving landscape strategically and pragmatically. While these reforms offer significant opportunities for growth, market expansion, and operational efficiencies, their effective utilization will depend on how businesses adapt to infrastructural constraints, regulatory transitions, and logistical bottlenecks. The following outlines the impact of these reforms on companies and corporate leaders.

For Multinational Corporations (MNCs):

- **Enhanced trade-friendly policies** make India a more attractive hub for **supply chain diversification**.
- Digital customs and AI-powered clearance reduce **operational friction**, improving logistics predictability.
- **Lower trade compliance costs** increase profitability for companies operating across multiple jurisdictions.

For Small and Mid-Sized Enterprises (SMEs):

- **Improved access to export credit** allows SMEs to scale operations and tap into **international markets**.
- **Tier-2 and Tier-3 export hubs** provide regional businesses with greater access to global trade ecosystems.
- Logistics upgrades **lower transportation costs**, making exports more competitive globally.

For Corporate Leaders & Policymakers:

- **Strategic adaptation to new trade policies** is essential for businesses to leverage government incentives.
- **Digital trade facilitation tools (BharatTradeNet)** enable faster global trade integration.
- **Infrastructure investments** will support long-term corporate expansion strategies.

II. India's Position in Global Value Chains (GVCs)

The Indian Budget 2025-26 has introduced a series of strategic policies to strengthen India's role in global value chains (GVCs) by enhancing supply chain resilience, boosting manufacturing competitiveness, and facilitating trade. These measures aim to attract foreign investment, increase high-value exports, and position India as a central hub in global trade networks. By leveraging infrastructure development, financial incentives, and digital trade facilitation, India is set to deepen its integration into international markets.

National Framework for Global Capability Centers (GCCs)

Recognizing the potential of Global Capability Centers (GCCs) in strengthening India's position in high-value service industries, the government has rolled out special incentives for multinational corporations (MNCs) to

establish GCCs in Tier-2 cities. This move aims to decentralize service industry hubs beyond traditional metropolitan areas like Bangalore, Mumbai, and Hyderabad, ensuring that economic benefits are widely distributed.



Key measures under this framework include Tax incentives and subsidies for MNCs establishing high-value R&D centres in India, Expansion of India's IT and knowledge economy by focusing on AI, software development, and business analytics and establishment of a Centre of Excellence for Artificial Intelligence (AI) in Education, with an allocation of ₹500 crore, which aims to integrate AI into the educational

sector, enhancing learning outcomes and fostering innovation.

By encouraging the growth of GCCs, India aims to enhance its global competitiveness in digital services and high-value outsourcing, offering businesses a cost-effective yet highly skilled workforce.

Clean Tech & Advanced Manufacturing Push

As part of India's transition towards a green industrial economy, the Union Budget 2025-26 has introduced a **National Manufacturing Mission** to boost domestic production in critical clean technology sectors. This initiative focuses on **scaling manufacturing capabilities** for solar photovoltaic (PV) cells, electric vehicle (EV) batteries, motors and controllers, electrolyzers, wind turbines, high-voltage transmission equipment, and

grid-scale batteries. By fostering self-reliance in these high-growth industries, the mission seeks to reduce import dependency and position India as a global leader in clean energy and sustainable manufacturing.

The budget has announced **expanding the Production-Linked Incentive (PLI) scheme** to drive industrial expansion further to support manufacturing in key sectors such as automobiles, electronics, and green hydrogen. This move is expected to accelerate investments in advanced manufacturing, strengthen India's industrial base, and enhance global competitiveness.

Additionally, the government has introduced incentives for semiconductor fabrication and battery production to reduce reliance on imports and develop a robust domestic supply chain for high-tech industries. Recognizing the role of green hydrogen in industrial decarbonization, the budget also includes provisions for India's first large-scale green hydrogen production hubs. These hubs will facilitate the adoption of green hydrogen across industries, contributing to reduced carbon emissions and long-term sustainability.



These efforts aim to increase domestic value addition in high-tech industries, reduce supply chain dependencies on external markets, and strengthen India's global positioning in the renewable energy sector (Source: [Budget Summary](#))

Supply Chain & Logistics Upgrades

The government has launched a series of logistics and supply chain modernization projects to enhance India's trade efficiency and seamlessly integrate domestic industries into global value chains.

Significant initiatives include **Investment in AI-driven demand forecasting tools** to improve inventory management and reduce supply chain inefficiencies, Public-private partnerships (PPP) to modernize ports, reducing turnaround time for shipments and increasing trade facilitation and Expansion of regional connectivity through improved road, rail, and port networks, ensuring seamless movement of goods across borders.

Why These Reforms Matter

India has long faced supply chain inefficiencies, high logistics costs, and an over-reliance on imports for high-tech manufacturing. The Budget 2025-26 directly addresses these challenges by:

- **Boosting manufacturing capabilities** in strategic sectors, reducing dependency on imports, and enhancing domestic value chains.
- **Attracting foreign investment** in research and innovation through tax incentives and industrial subsidies.
- **Improving logistics and supply chain infrastructure**, lowering freight costs and ensuring seamless trade flows.
- **Aligning India's policies with global sustainability goals**, making the country a prime location for clean energy investments and green manufacturing.

These measures will enable India to emerge as a key player in global value chains, securing its position alongside economies such as China, Vietnam, and Mexico in industrial and trade competitiveness.

Challenges in Strengthening India's Position in Global Value Chains (GVCs)

While these reforms are vital for enhancing India's integration into global value chains (GVCs) and boosting its manufacturing competitiveness, several practical and structural challenges must be addressed to ensure the effective implementation of these budgetary initiatives. The success of these reforms will depend on streamlined regulatory processes, targeted infrastructure investments, and sustained policy support, without which the envisioned economic benefits may be delayed or diminished. Below are the key challenges that could impact the successful execution of these reforms:

1. Challenges in Strengthening India's Position in Global Value Chains (GVCs)

The Budget 2025-26 outlines key measures to strengthen India's position in GVCs, but persistent regulatory, logistical, and infrastructural bottlenecks could hinder its effective implementation. India's regulatory framework remains complex, with approval cycles for establishing manufacturing units taking 6-9 months on average, far longer than competitors like Vietnam (2-3 months) or Mexico (under 3 months). This sluggish approval process, inconsistent state-level regulations, and complex compliance requirements could deter investors looking for faster operational scalability. Additionally, while India's labour costs remain competitive, productivity per worker in key industries lags behind that of countries like China, Vietnam, and Indonesia, reducing the attractiveness of high-tech and precision manufacturing investments. Infrastructure inefficiencies, including power shortages, land acquisition delays, and inadequate last-mile connectivity, further exacerbate the challenges, impacting supply chain reliability and inflating operational costs. Without addressing these structural barriers through regulatory streamlining, infrastructure modernization, and workforce upskilling, India may find it difficult to fully capitalize on the China+1 strategy and position itself as a preferred manufacturing hub in global trade networks.

2. Challenges in Clean Tech & Advanced Manufacturing Push

The government's Clean Tech & Advanced Manufacturing Push is an essential component of India's green industrial transition, but it faces significant execution challenges due to the capital-intensive nature of the targeted industries and existing supply chain dependencies. Despite the expansion of the Production-Linked Incentive (PLI) scheme and incentives for semiconductor fabrication, EV battery production, and green hydrogen hubs, sustained private sector investment could remain constrained by long gestation periods, unpredictable global demand cycles, and uncertain commercial returns. Additionally, India's reliance on imports for critical raw materials, such as lithium, rare earth elements, and high-purity silicon, makes domestic production vulnerable to global price volatility and supply chain disruptions. The lack of specialized infrastructure, including high-tech R&D centers and advanced manufacturing clusters, further slows down the development of a self-sufficient ecosystem in these sectors. Moreover, while green hydrogen production holds great potential, it faces hurdles such as high costs associated with electrolysis technology, limited domestic expertise, and the absence of a robust hydrogen supply chain, all of which could delay large-scale commercial adoption. Addressing these challenges will require enhanced policy clarity, a long-term roadmap for technology localization, and stronger international collaborations to ensure that India's ambitions in clean tech and advanced manufacturing translate into tangible, long-term economic gains.

Impact on Businesses and Corporate Leaders

The Budget 2025-26 sets the stage for India's deeper integration into global value chains, fostering greater foreign investment, high-value manufacturing, and trade competitiveness. While these reforms present new opportunities for corporate expansion and market integration, businesses must strategically navigate regulatory complexities, infrastructure constraints, and supply chain inefficiencies. To ensure sustained and long-term growth, corporate leaders will need to leverage policy incentives effectively while proactively addressing operational bottlenecks in India's evolving economic landscape.

For Multinational Corporations (MNCs):

- Expansion of **Global Capability Centers (GCCs) in Tier-2 cities** offers cost advantages and talent diversification.
- Strengthened manufacturing policies to reduce **supply chain risks and import dependencies**.
- Access to **subsidized R&D and production incentives** improves profitability in high-tech industries.

For Domestic Businesses & SMEs:

- **AI-driven logistics enhancements** lower operational costs, increasing efficiency for small exporters.
- **PLI-backed manufacturing investments** create new opportunities in electronics, green energy, and auto manufacturing.
- Access to **improved port infrastructure and faster trade clearance** enhances international market reach.

For Investors & Policymakers:

- India's **investment-friendly regulatory framework** makes it a preferred alternative to traditional supply chain hubs.
- **Government-backed financial incentives and logistics upgrades** provide long-term investment security.
- **Green energy initiatives and clean tech production** create high-growth investment opportunities in the sustainability sector.

III. FDI & Financial Market Reforms: Strengthening Investment Climate & Capital Accessibility

The Indian Budget 2025-26 has introduced transformative measures to attract foreign investments, streamline regulatory frameworks, and improve credit accessibility, positioning India as a top destination for global capital inflows and business expansion. These policy interventions enhance financial stability, foster investment confidence, and support startups and SMEs through increased liquidity and simplified regulations. The budget strengthens India's long-term economic resilience and global investment competitiveness by expanding FDI limits, easing business regulations, and facilitating credit availability.

Increased FDI in Insurance & Financial Services

To boost foreign investment in financial markets, the government has **raised the FDI cap in the insurance sector from 74% to 100%**, allowing full foreign ownership of insurance companies, pension funds, and other financial entities. This reform aims to create a more dynamic and globally integrated insurance sector, enhancing India's appeal to institutional investors and multinational financial firms.

Investment Friendliness Index & Regulatory Reforms

To improve the ease of doing business and attract foreign investors, the government has launched an **Investment Friendliness Index**, ranking Indian states based on their business policies, infrastructure, and investment climate.

- **State-wise investment rankings** to guide MNCs on where to set up operations.
- **Jan Vishwas Bill 2.0 decriminalizes over 100 business laws**, reduces compliance risks and improves investor confidence

- **Simplified licensing, taxation, and compliance procedures**, making India an easier place to start and operate businesses, particularly for foreign investors. (Source: [Budget Summary](#))

This reform will streamline foreign investment approvals, enhance regulatory transparency, and provide businesses with clear investment benchmarks, improving India's global investment competitiveness.

Strengthening Credit Accessibility & Financial Inclusion

The Union Budget 2025-26 introduces several measures aimed at strengthening credit accessibility and promoting financial inclusion:

1. **Grameen Credit Score System:** A new framework, the 'Grameen Credit Score,' has been launched to assist rural borrowers, including [Self-Help Group \(SHG\)](#) members, access formal credit more quickly. This initiative assesses creditworthiness in rural areas, opening new financial opportunities for millions.
2. **Expansion of Credit Guarantees for MSMEs:** The government has raised credit limits for Micro, Small, and Medium Enterprises (MSMEs) to [₹10 crore](#), enhancing access to financial resources for small businesses. This move is expected to stimulate entrepreneurial activity and improve financial penetration.
3. **Enhanced MSME Classification:**



- The investment and turnover thresholds for MSME classification have been increased 2.5 times and 2 times, respectively, to enable MSMEs to scale operations, adopt advanced technology, and improve access to capital.
- Additionally, a new entrepreneurship scheme has been launched to support **5 lakh women, Scheduled Caste (SC), and Scheduled Tribe (ST) first-time entrepreneurs**. The scheme offers term loans of up to [₹2 crore](#) over the next five years to foster inclusive economic participation.

This initiative will enhance liquidity for businesses, provide risk-mitigation mechanisms for financial institutions, and empower small enterprises with greater credit access, promoting sustained economic

growth.

Why These Reforms Matter

India's financial sector has traditionally faced challenges in attracting global capital due to regulatory complexity, limited financial inclusion, and fragmented credit markets. The Budget 2025-26 directly addresses these structural inefficiencies, positioning India as a pro-business, investment-friendly economy.

- Raising FDI limits in insurance will increase competition, encourage innovation, and deepen financial markets, attracting long-term capital inflows.
- The Investment Friendliness Index will help businesses make data-driven decisions on expansion, enhancing regional economic diversification.
- Simplified regulations under Jan Vishwas Bill 2.0 reduce bureaucratic inefficiencies, making India a preferred destination for global businesses.

- Enhanced credit accessibility for SMEs and startups will fuel entrepreneurship, boost job creation, and strengthen India's position as an innovation hub.
- Financial market deepening and bond market expansion will provide alternative financing avenues, reducing dependency on traditional banking.

By implementing these reforms, India strengthens its investment climate, fosters financial inclusion, and ensures capital efficiency, making the economy more resilient and globally competitive.

Challenges in Implementing FDI & Financial Market Reforms

While these reforms play a crucial role in strengthening India's investment climate, deepening financial markets, and expanding credit accessibility, their successful implementation depends on addressing key structural and operational challenges. The effectiveness of these policies hinges on regulatory consistency, financial market stability, equitable access to capital, and strategic risk mitigation. Without a robust execution framework, the anticipated benefits of higher FDI inflows, improved business ease, and enhanced financial inclusion may not materialize as expected. Below are the key challenges associated with these reforms:

1. Challenges in Increased FDI in Insurance & Financial Services

While raising the FDI cap in the insurance sector from 74% to 100% is expected to attract substantial foreign capital and drive greater competition and innovation, its implementation presents several strategic and regulatory challenges. A key concern is the potential dominance of foreign entities, which may lead to profit repatriation rather than reinvestment into the domestic financial ecosystem, affecting long-term capital retention within India. Additionally, while foreign participation can expand financial product diversity and risk management solutions, there is a risk that insurers may prioritize urban-centric, high-margin segments, leaving rural and underserved markets inadequately addressed despite India's goal of improving insurance penetration across all demographics. The transition to full foreign ownership may also introduce market consolidation pressures, where smaller domestic insurers struggle to compete against well-capitalized global firms, potentially leading to reduced competition over time rather than enhanced market efficiency. Furthermore, increased FDI alone may not be sufficient to bridge regulatory complexities and policy uncertainties that often slow down financial sector expansion in India. Ensuring stronger consumer protection frameworks, regulatory stability, and equitable market access for domestic players will be crucial to maximizing the long-term benefits of this reform while mitigating risks associated with foreign dominance and market concentration.

2. Challenges in Investment Friendliness Index & Regulatory Reforms

While the Investment Friendliness Index and regulatory reforms under Jan Vishwas Bill 2.0 aim to enhance India's ease of doing business and attract higher foreign investment, their effectiveness depends on consistent implementation across states, regulatory predictability, and alignment with global investor expectations. The state-wise investment rankings, while useful in guiding multinational corporations (MNCs), could exacerbate regional disparities if policy consistency and investment incentives vary significantly across states, leading to concentration of investments in a few already developed regions rather than fostering balanced economic growth. Additionally, while the decriminalization of business laws and simplification of licensing and compliance procedures reduce entry barriers, India's frequent policy shifts and retrospective taxation history have historically made investors cautious about long-term stability. Regulatory reforms must not only be codified but also consistently enforced, ensuring that bureaucratic inertia, legal uncertainties, and inconsistent interpretation of business laws do not undermine investor confidence. Moreover, interstate policy differences, delays in land acquisition approvals, and infrastructure bottlenecks could still deter investors despite improved rankings, limiting the practical benefits of these reforms. Addressing these structural

challenges through stronger policy continuity, digital integration of compliance mechanisms, and uniform enforcement across states will be crucial in fully realizing the investment potential of these initiatives.

3. Challenges in Strengthening Credit Accessibility & Financial Inclusion

The fund for startups and SME credit expansion, along with the Grameen Credit Score system and corporate bond market expansion, marks a significant step toward enhancing financial inclusion and deepening credit accessibility. However, the practical implementation of these measures faces several challenges. Expanding credit access to rural businesses requires strengthening the last-mile banking infrastructure, but low financial literacy levels, inadequate formal credit history, and limited digital banking adoption in rural areas could slow down the intended benefits of the Grameen Credit Score system. Additionally, venture capital funding for AI, FinTech, and CleanTech startups is expected to accelerate innovation, high regulatory scrutiny, compliance burdens, and bureaucratic delays in fund disbursement could create bottlenecks, particularly for early-stage enterprises. The corporate bond market expansion, aimed at increasing liquidity and diversifying financial instruments, faces the challenge of low investor participation and underdeveloped secondary markets, limiting its effectiveness in providing long-term capital solutions. Furthermore, though well-intended, credit guarantee expansion for SMEs may increase non-performing assets (NPAs) if risk assessment mechanisms are not adequately strengthened. Without enhanced regulatory frameworks, financial education programs, and efficient risk management strategies, the long-term success of these initiatives in fostering sustainable credit expansion and financial inclusion could remain constrained.

Impact on Businesses and Corporate Leaders

The FDI and financial market reforms introduced in Budget 2025-26 create significant opportunities for businesses by expanding capital accessibility, improving investment conditions, and fostering financial sector resilience. However, their full impact will depend on how effectively businesses navigate regulatory transitions, mitigate financial risks, and adapt to evolving market conditions. With a more investment-friendly environment, businesses and investors must strategically align with these reforms to maximize growth potential, ensuring long-term, sustainable expansion within India's financial ecosystem. The following outlines the key impacts of these reforms on companies, businesses, and corporate leaders.

For Multinational Corporations (MNCs):

- More transparent and predictable regulatory frameworks improve investment planning.
- Higher foreign ownership allowances in financial services open new growth avenues.
- State-wise investment rankings provide clarity on business expansion decisions.

For Startups & SMEs:

- Easier access to financing through credit guarantees and venture capital funds.
- Greater financial inclusion via rural credit scoring systems, empowering small enterprises.
- PLI-backed financing options for high-growth sectors, including AI, FinTech, and Cleantech.

For Corporate Leaders & Policymakers:

- A well-structured investment ecosystem attracts high-value FDI, enhancing India's global financial stature.
- Improved capital markets facilitate long-term infrastructure and technology investments.
- Financial sector liberalization fosters deeper economic integration into global markets.

These measures solidify India's standing as a premier investment destination, encouraging long-term, sustainable capital inflows and strengthening financial sector resilience. Businesses and investors must align their strategies with these evolving reforms, ensuring they maximize the benefits of India's progressive financial and investment policies.

Comparative Advantage: India vs. Competitor Markets

With increasing global emphasis on supply chain resilience, cost efficiency, and investment attractiveness, India competes with multiple economies to attract foreign capital, trade partnerships, and high-value manufacturing investments. A comparative analysis of India's standing against key players like China, Vietnam, Mexico, Indonesia, the USA, and Japan provides insight into India's strengths and areas for improvement in global trade and investment.

The following table outlines India's position in relation to these competitors based on four critical factors: **Trade Facilitation, FDI Reforms, Manufacturing Costs, and Supply Chain Resilience**.

Factor	India	China	Vietnam	Mexico	Indonesia	USA	Japan
Trade Facilitation	BharatTradeNet, AI-driven customs, streamlined logistics	Complex regulations, trade barriers	Strong regional agreements but infrastructure gaps	USMCA trade benefits, efficient processes	Moderate ease of doing business, customs inefficiencies	Advanced port & logistics systems	Highly automated and efficient trade infrastructure
FDI Reforms	100% in insurance, relaxed global investment regulations	Strict foreign investment controls	Industry-specific incentives but slower approval processes	Strong FDI incentives, proximity to the US	Growing but sector-specific restrictions	Open investment climate, large domestic market	Selective but high-tech, sector-friendly FDI policies
Manufacturing Costs	Competitive labour, tax incentives, policy-driven growth	Rising wages, increased regulatory oversight	Lower wages but limited skilled workforce	Higher wages but a strong industrial base	Low-cost labour but logistical inefficiencies	High wages but strong automation and productivity	High wages, but advanced robotics & tech integration
Supply Chain Resilience	Heavy infrastructure investment, AI-powered forecasting	Strong but centralized logistics control	Strong trade partnerships but important-dependent	USMCA-driven trade advantage, diverse supply chains	Emerging logistics networks, import dependency	Highly resilient supply chain networks	Advanced, tech-driven supply chain capabilities

(Source: UNCTAD World Investment Report, World Bank, DPIIT)

Why This Comparison Matters

The global economic landscape is witnessing a strategic realignment in supply chains and trade partnerships, especially after the pandemic and ongoing geopolitical shifts. India's reforms under Budget 2025-26 aim to:

- Enhance trade facilitation and reduce export compliance burdens with BharatTradeNet and AI-driven customs clearance.
- Improve India's investment attractiveness through FDI liberalization, tax incentives, and streamlined regulatory processes.

- Position India as a cost-competitive alternative to China for global manufacturers, leveraging lower labour costs and PLI-backed industrial policies.
- Strengthen supply chain resilience by investing in AI-driven forecasting, logistics infrastructure, and multimodal transport networks.

India's trade competitiveness is further supported by reductions in logistics costs from 14% to 10% of GDP, improved infrastructure connectivity, and new industrial corridors under the PM Gati Shakti initiative ([Source: DPIIT](#)).

Key Business Insights & Strategic Recommendations

For Foreign Businesses Looking to Diversify Supply Chains:

- India's improved logistics and trade policies provide a strong alternative to China, making it a preferred destination for export-driven manufacturing and warehousing investments.
- Government-backed logistics corridors and port modernizations enable seamless supply chain integration with global markets.

For Investors in High-Value Sectors:

- Auto and electronics manufacturers should capitalize on PLI-backed production hubs in Tamil Nadu and Maharashtra, benefiting from lower operational costs and export incentives.
- Semiconductors and clean-tech investors can leverage government subsidies and infrastructure support to establish advanced manufacturing capabilities.

For MNCs Expanding Operations in Asia:

- India's FDI-friendly environment and tax incentives offer better long-term investment security than Vietnam or Indonesia, particularly in the insurance, financial services, and IT sectors.
- Proximity to major emerging markets and strong global trade agreements allow India to serve as a regional hub for multinational supply chains.

Intueri's Strategic Insights & Business Recommendations

India's Budget 2025-26 presents a transformative opportunity for businesses, investors, and policymakers to capitalize on trade liberalization, investment incentives, and financial market expansion. However, while these reforms offer substantial growth potential, their successful implementation faces critical challenges that businesses must strategically navigate. Issues such as regulatory bottlenecks, supply chain inefficiencies, infrastructure constraints, and financial sector risks could dampen the anticipated benefits if not proactively addressed. Foreign investment policies, though attractive, must be complemented by policy stability, market accessibility, and effective execution frameworks to sustain long-term investor confidence.

Moreover, while India's ambitions in global value chains (GVCs) and trade facilitation are commendable, delays in industrial approvals, inadequate last-mile connectivity, and high logistics costs remain persistent challenges. The dependency on subsidy-driven incentives, such as Production-Linked Incentives (PLI), and financial market vulnerabilities, including limited credit penetration and regulatory uncertainty, further necessitate a strategic approach for businesses looking to fully leverage these reforms.

To mitigate these risks and optimize opportunities, Intueri Consulting LLP presents practical and structured recommendations for multinational corporations (MNCs), domestic businesses, and policymakers to drive

sustainable growth, ensure financial resilience, and strengthen India's position as a leading global investment hub.

Strategic Recommendations for Investors & Multinational Corporations (MNCs)

1. Harness India's FDI Growth Potential While Addressing Market Stability Risks

- While expanded FDI limits in insurance, clean technology, logistics, and high-end manufacturing create new investment opportunities, foreign investors must carefully assess regulatory stability and potential risks of market dominance.
- Insurance and financial sector investors should establish long-term reinvestment strategies to ensure that capital inflows contribute to domestic financial deepening rather than excessive profit repatriation.
- With \$15 billion in projected insurance sector FDI, firms should engage with policymakers to ensure a balanced regulatory environment that prioritizes urban expansion and rural market penetration. ([Source: IRDAI](#)).

2. Maximize Benefits from PLI Schemes While Preparing for Post-Subsidy Competitiveness

- PLI incentives in electronics, automotive, semiconductors, and renewable energy should be leveraged, but investors must plan for long-term sustainability beyond subsidy-driven growth.
- Global manufacturers in EVs, semiconductors, and solar energy should establish partnerships with Indian suppliers to integrate into local supply chains, reducing import dependency on critical raw materials such as lithium and rare earth elements.

3. Optimize Global Trade Operations via BharatTradeNet, But Prepare for Digital Adoption Challenges

- MNCs must integrate BharatTradeNet into trade operations to reduce documentation costs, speed up customs clearance, and improve trade efficiency. ([Source: Ministry of Commerce](#)).
- Given India's digital divide and cybersecurity risks, companies should invest in trade compliance automation tools while advocating for stronger digital security measures.

4. Leverage India's Cost-Competitive Manufacturing Advantage While Addressing Supply Chain Inefficiencies

- Rising manufacturing costs in China make India an attractive alternative, but supply chain weaknesses must be factored into operational planning.
- Automotive and electronics manufacturers should prioritize locations with robust infrastructure, such as Tamil Nadu and Maharashtra while developing contingency strategies for potential power shortages and logistics disruptions.

Strategic Growth Plans for Domestic Businesses & MSMEs

1. Strengthen Compliance & Risk Management in the Financial Ecosystem

- SMEs and MSMEs must leverage AI-based compliance solutions to navigate evolving FDI and financial market regulations efficiently.

- Given the potential increase in NPAs due to expanded credit guarantees, businesses must adopt stronger risk assessment frameworks to ensure responsible borrowing and financial sustainability.

2. Expand Supply Chain Integration & Export Markets While Addressing Trade Barriers

- Government-backed export credit programs should be fully utilized to integrate MSMEs into global value chains.
- Domestic suppliers must strengthen partnerships with global MNCs while advocating for logistics upgrades to reduce trade bottlenecks.

3. Leverage Tier-2 & Tier-3 Business Hubs While Preparing for Infrastructure Challenges

- As infrastructure investment flows into emerging business hubs, MSMEs should relocate operations to take advantage of lower costs and growing industrial clusters.
- However, land acquisition delays and uneven policy implementation across states must be factored into expansion decisions.
- GCCs (Global Capability Centers) are projected to generate a large number of high-skilled jobs by 2030. Indian businesses should invest in workforce training to meet the growing demand for specialized talent.

4. Strengthen Digital Capabilities While Ensuring Market Adaptability

- Blockchain-based trade finance, AI-powered analytics, and digital payments should be leveraged to reduce financial risks and improve supply chain efficiency.
- Given regulatory uncertainties in fintech and digital transactions, businesses must adopt compliance-first approaches to mitigate potential policy shifts.



Long-Term Policy Recommendations for Sustained Economic Growth

1. Ensure Regulatory Stability & Policy Consistency to Attract FDI

- Reducing bureaucratic red tape and maintaining policy consistency will enhance investor confidence.
- The Investment Friendliness Index must be regularly updated with transparent parameters to ensure investors receive clear and predictable regulatory insights.

2. Balance Tax Incentives with Fiscal Sustainability

- While India's 22% corporate tax rate is already competitive, further reductions for MSMEs could drive domestic industrial expansion, provided they are aligned with fiscal responsibility.
- Greenfield investments in semiconductors, AI, and clean tech manufacturing should be supported with targeted tax holidays, but long-term tax policy stability must be ensured.

3. Strengthen Trade Agreements While Addressing Trade Facilitation Gaps

- India must expand FTAs with ASEAN, the EU, and Middle Eastern economies to increase preferential market access while ensuring customs efficiency improvements.
- More trade agreements with the UK and Canada should be pursued to enhance India's export competitiveness, but careful alignment with domestic industry protections is necessary.

Conclusion & Way Forward: Leveraging India's Budget for Business Success

The Union Budget 2025-26 introduces a set of ambitious policy measures aimed at expanding foreign investment, strengthening global trade linkages, and improving financial market accessibility. However, while these reforms create significant opportunities for businesses and investors, their true impact will depend on how effectively they are implemented and integrated into corporate strategies. Regulatory inefficiencies, supply chain vulnerabilities, infrastructure bottlenecks, and over-reliance on subsidy-driven incentives remain critical challenges that must be addressed to unlock the budget's potential fully.

Strategic Business Execution: Navigating Policy Reforms Effectively

For businesses and corporate leaders, the reforms present a mixed landscape of opportunities and execution risks. Expanded FDI limits in financial services, clean energy, and advanced manufacturing create new avenues for global investors, but market dominance concerns, regulatory complexities, and foreign capital repatriation risks must be carefully managed. The Production-Linked Incentive (PLI) schemes provide strong financial incentives, yet their long-term effectiveness remains contingent on post-subsidy competitiveness, supply chain resilience, and technology localization. Companies investing in PLI-backed sectors must focus on building domestic supplier networks, securing stable raw material sources, and reducing dependency on import-driven supply chains to ensure sustained profitability beyond government incentives.

Moreover, while BharatTradeNet is positioned as a transformative tool for streamlining trade facilitation and reducing compliance costs, its success hinges on widespread digital adoption, cybersecurity readiness, and last-mile connectivity improvements. Businesses must proactively integrate AI-driven compliance tools and automated trade processes while advocating for stronger digital security measures to prevent potential disruptions. The corporate bond market expansion and venture capital initiatives promise enhanced liquidity for businesses, but underdeveloped secondary markets, high-risk credit exposures, and investor participation constraints could slow down expected financial gains. Ensuring financial transparency, stronger credit risk assessment, and structured regulatory frameworks will be essential to making these financial market reforms more resilient and impactful.

Supply Chain Resilience & Global Trade Integration: The Next Critical Step

India's efforts to strengthen its position in global value chains (GVCs) offer promising prospects for multinational corporations (MNCs) and domestic manufacturers, but structural inefficiencies continue to impact supply chain reliability. While rising labor costs in China make India a viable alternative manufacturing hub, the slow industrial approval process, infrastructure constraints, and inconsistent state-level investment policies continue to deter large-scale investments. Land acquisition delays, high logistics costs, and power supply inconsistencies must be actively addressed to make India a truly competitive manufacturing destination.

Businesses looking to optimize supply chain efficiency should invest in AI-driven demand forecasting, blockchain-based trade financing, and multi-modal logistics networks to overcome existing inefficiencies.

Additionally, firms should expand production operations into Tier-2 and Tier-3 industrial hubs, leveraging government-backed infrastructure projects while accounting for potential bureaucratic hurdles and execution delays. While trade facilitation measures such as AI-powered customs clearance and export credit expansion are promising, Indian exporters must still contend with regional trade barriers and fluctuating global market dynamics. Diversifying into ASEAN, EU, and Middle Eastern markets through proactive Free Trade Agreements (FTAs) and leveraging government-backed trade credit mechanisms will be critical in reducing dependence on a few major economies.



Investment Climate & Financial Market Stability: Aligning Policy with Execution

While India has positioned itself as a promising investment destination, policy unpredictability, retrospective tax concerns, and bureaucratic inefficiencies remain concerns for long-term foreign investors. The Investment Friendliness Index is a positive step in enhancing transparency, but interstate policy differences and inconsistent regulatory enforcement could create disparities in investment distribution. To sustain investor confidence, India must ensure regulatory continuity, ease of capital repatriation, and equitable market access across industries.

Similarly, the expansion of credit accessibility through SME-focused financial initiatives presents both opportunities and risks. While credit guarantees and venture capital investments in AI, FinTech, and CleanTech create a strong foundation for high-growth industries, overexposure to riskier credit portfolios and potential NPA (non-performing asset) increases could challenge the long-term sustainability of these financial support mechanisms. Strengthening credit risk assessment frameworks, promoting financial literacy in SME sectors, and improving last-mile banking infrastructure will be crucial to ensuring that expanded financial inclusion does not compromise economic stability.

Way Forward

While the Budget 2025-26 lays a strong foundation for economic transformation, its true impact will depend on how well businesses and policymakers address execution challenges. Regulatory inconsistencies, financial sector vulnerabilities, supply chain inefficiencies, and over-reliance on government-backed incentives must be tackled through structured implementation, strategic corporate planning, and continuous policy refinement.

India's investment climate remains highly promising, but the real test lies in how effectively these policies translate into tangible, long-term economic gains. Businesses that strategically integrate into the evolving policy landscape, invest in operational efficiencies, and proactively manage regulatory risks will be in the strongest position to leverage India's growth trajectory. By ensuring equitable market access, fostering digital transformation, and strengthening supply chain networks, India can attract sustained investment and establish itself as a globally competitive economic powerhouse in the years to come.

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