

# Daily Editorial Analysis 30 December 2025

December 30, 2025 • vajiramandravi.com

## The Quiet Foundations for India's Next Growth Phase

### Context

- As 2025 draws to a close, India's economic progress is often judged by headline indicators such as GDP rankings, export growth, and global partnerships.
- Beneath these visible outcomes lies a **sustained and less conspicuous reform** effort that has reshaped governance, regulation, and institutional credibility.
- Reform Express 2025 represents a cumulative process of removing bottlenecks, modernising laws, and creating predictable systems.
- Rather than disruptive policy shocks, this phase has relied on **consistency and trust-based governance** to strengthen India's long-term growth foundations.

### Economic Credibility and the Case for Reform

- India crossed **\$4.1 trillion in nominal GDP**, becoming the world's fourth-largest economy.
- More telling was the sovereign credit rating upgrade to BBB after nearly two decades, signalling confidence in the durability of India's macroeconomic framework.
- In a global environment marked by political volatility, stable leadership has made reforms credible.
- Credible reforms reduce uncertainty, align incentives, and encourage private investment.
- When procedures are transparent and time-bound, discretion narrows, competition improves, and investment translates into jobs and productivity gains.

### Key Foundational Reforms for India's Next Growth Phase

#### • Trade Expansion and Digital Facilitation

- India's exports reached \$825.25 billion in 2024-25, growing over **6% annually**.
- This expansion has been supported by digital trade infrastructure that simplifies processes and improves access to information.
- Platforms such as Trade Connect and Trade Intelligence and Analytics have reduced friction for exporters by integrating approvals, data, and market intelligence.
- These initiatives reflect a shift from control-oriented regulation to facilitative governance that enhances competitiveness.

- **Strategic Trade Agreements and Global Integration**

- India's trade diplomacy in 2025 focused on commercially meaningful agreements.
- The Comprehensive Economic and Trade Agreement with the United Kingdom expanded duty-free access and clarified services and skilled mobility pathways.
- Agreements with Oman and New Zealand strengthened India's presence in strategic and high-value markets.
- Together, these partnerships deepened **integration into global value chains** while maintaining policy discipline and reciprocity.

- **Entrepreneurship, Innovation, and Digital Public Infrastructure**

- India's startup ecosystem expanded to over two lakh government-recognised startups, generating more than 21 lakh jobs.
- Digital public infrastructure played a central role in this growth.
- The **Open Network for Digital Commerce** processed hundreds of millions of orders, while the Government e-Marketplace enabled micro and small enterprises to access public procurement at scale.
- India's rise to 38th place in the Global Innovation Index reflected the impact of simplified regulations and digital systems on innovation outcomes.

- **Legislative Simplification and Regulatory Modernisation**

- Trust-based governance became a defining feature of Reform Express 2025. Parliament repealed 71 obsolete laws, **reducing regulatory clutter**.
- The consolidation of 29 central labour laws into four labour codes simplified compliance while expanding social security coverage.
- Capital market reform progressed through the introduction of the Securities Markets Code Bill, strengthening enforcement, investor protection, and grievance redress mechanisms at a time of growing retail participation and global capital flows.

## **Infrastructure and Energy Reform**

- **Infrastructure, Logistics, and Industrial Policy**

- Logistics reform focused on reducing costs and improving reliability.
- New maritime laws replaced outdated frameworks with modern governance tools, dispute resolution mechanisms, and safety norms.
- Recognising shipping as a strategic sector, the government approved a ₹69,725 crore shipbuilding package, including a Maritime Development Fund.
- This approach reflected **industrial policy with ecosystem focus**, encouraging private investment while building domestic capacity across shipyards, engineering, and services.

## • Energy Reform and Long-Term Investment

- Energy reforms addressed long-cycle investment risks. Amendments to oil and gas legislation emphasised stability of terms, clearer approvals, and single-lease frameworks.
- The Open Acreage Licensing Policy expanded exploration, particularly offshore, while the National Deep Water Exploration Mission strengthened domestic capabilities.
- Simultaneously, the Nuclear Energy Mission and the SHANTI Bill advanced **low-carbon baseload capacity**, enabling regulated private participation in advanced nuclear technologies to support energy security and industrial growth.

## Conclusion

- Reform Express 2025 demonstrates a **consistent reform logic**: clean up outdated statutes, reduce compliance burdens, digitise governance, strengthen market institutions, and de-risk long-term investment.
- Rather than relying on headline-driven interventions, **India's transformation has been built through cumulative, interconnected reforms**.
- By lowering the burden on entrepreneurs and improving institutional trust, productivity is allowed to compound.
- The **quiet persistence of these reforms** has laid the foundation for sustained growth and enhanced resilience in an increasingly uncertain global economy.

## The Quiet Foundations for India's Next Growth Phase FAQs

**Q1.** What does Reform Express 2025 signify?

**Ans.** It signifies a steady, cumulative reform process focused on improving governance, reducing bottlenecks, and strengthening institutional credibility.

**Q2.** Why was India's sovereign credit rating upgrade significant in 2025?

**Ans.** The upgrade signalled international confidence in the sustainability and stability of India's economic reforms.

**Q3.** How did digital platforms support India's trade growth?

**Ans.** Digital platforms simplified procedures, improved access to market information, and reduced transaction delays for exporters.

**Q4.** What role did legislative reforms play in economic transformation?

**Ans.** Legislative reforms reduced compliance burdens, simplified regulations, and improved trust between the state and businesses.

**Q5.** Why are energy reforms important for long-term growth?

**Ans.** Energy reforms reduce investment risk, improve energy security, and support sustainable industrial expansion.

**Source:** **The Hindu**

---

# India's Clean Energy Transition - Manufacturing Push, Market Paradoxes and Structural Bottlenecks

## Context

- India is accelerating its clean energy transition to meet climate commitments (**NDCs**), reduce import dependence, and position itself as a global renewable energy and green hydrogen hub.
- Recent gains in domestic solar manufacturing and clean energy investments signal momentum, but **deep structural challenges** persist across manufacturing, finance, grid infrastructure, and emerging technologies.

## Key Developments

- **Solar manufacturing - From import dependence to domestic capacity**
  - For years, India relied heavily on Chinese solar imports. In 2024, domestic firms added 25.3 GW of module manufacturing capacity, nearly doubling national capacity.
  - The Production Linked Incentive (PLI) scheme catalysed private investment, and signalled India's intent to move up the global value chain.
  - Adoption of **TOPCon** (Tunnel Oxide Passivated Contact) cells reflects a shift toward higher-efficiency, higher-value innovation.
- **Structural contradictions in solar supply chain**
  - Despite capacity expansion, India imported about 66 GW of solar modules and cells in 2024, while exports marginally declined.
  - Upstream integration is weak – only 2 GW wafer capacity commissioned, compared to nearly 80 GW downstream module capacity.
  - Absence of polysilicon and wafer manufacturing **risks dependency substitution**, not elimination, highlighting the missing middle of manufacturing.
- **Clean energy investment boom with financial stress**
  - \$3.4 billion **FDI** attracted in the first nine months of FY2025 (over 80% of power sector inflows).
  - Competitive auctions pushed tariffs to record lows, making renewables among the cheapest electricity sources
  - However, DISCOM financial distress (unpaid dues), post-auction contract renegotiations in some states, undermine contractual sanctity and investor confidence.
- **Grid and transmission constraints**
  - Nearly 60 GW of renewable capacity is stranded due to inadequate transmission infrastructure.
  - **Issues** include – Grid congestion, curtailment without compensation, etc.

- **Consequences:**
  - Difficulty in financial modelling.
  - Higher risk premiums.
  - India's renewable financing costs are about 80% higher than advanced economies.
- **National Green Hydrogen Mission (NGHM) – Strategic promise, economic hurdles:**
  - India currently consumes about 5 million tonnes of grey hydrogen.
  - **Target under NGHM:** 5 million metric tonnes of green hydrogen annually by 2030. Pilot projects in steel, refining, transport (hard-to-abate sectors).
  - **Challenges:**
    - Current costs of \$4.1–\$5.0 per kg is projected to be around \$2.4 per kg by 2030, which remains uncompetitive without subsidies, carbon pricing, and regulatory mandates.
    - **Infrastructure gaps** in storage, transport, and end-use.
    - Chicken-and-egg problem – No demand without supply certainty, no supply without assured demand.

## Challenges and Way Ahead

- **Weak upstream solar manufacturing (polysilicon, wafers):** Promote end-to-end solar value chain integration.
- **Regulatory uncertainty and contract renegotiation:** Ensure contractual sanctity to protect investor confidence.
- **Transmission bottlenecks and uncompensated curtailment:** Synchronise transmission expansion with renewable capacity addition. Establish clear curtailment compensation frameworks.
- **Green hydrogen's cost and demand uncertainty:** For green hydrogen –
  - Adopt realistic timelines.
  - Create demand through mandates, incentives, and carbon markets.
  - Invest in shared infrastructure for storage and transport.

## Conclusion

- India's clean energy transition **reflects both ambition and complexity**.
- While manufacturing gains, low tariffs, and green hydrogen vision signal leadership potential, unresolved structural bottlenecks threaten sustainability.
- Addressing grid, financial, and supply-chain weaknesses—while safeguarding policy credibility—will determine whether India emerges merely as a large clean energy market or as a global model for energy transition in the developing world.

## India's Clean Energy Transition FAQs

**Q1.** How has the PLI scheme contributed to India's solar manufacturing ecosystem?

**Ans.** It has catalysed private investment, doubled domestic module capacity in 2024, etc.

**Q2.** Why does India's solar manufacturing expansion still risk continued import dependence?

**Ans.** The absence of upstream manufacturing in polysilicon and wafers has created a value-chain imbalance.

**Q3.** What are the major financial and regulatory risks affecting India's renewable energy sector?

**Ans.** DISCOM payment delays, post-auction contract renegotiations, and regulatory uncertainty undermine contractual sanctity.

**Q4.** How do transmission constraints impact renewable energy deployment in India?

**Ans.** Inadequate transmission infrastructure leads to curtailment without compensation, stranded capacity, etc.

**Q5.** What are the key challenges to the commercial viability of green hydrogen under India's National Green Hydrogen Mission?

**Ans.** High production costs, underdeveloped infrastructure, and a demand-supply coordination gap necessitate subsidies.

**Source: IE**

---

Source: <https://vajiramandravi.com/current-affairs/daily-editorial-analysis-30-december-2025/>

© Vajiram & Ravi. For personal use only.