Capital Cities and Competitiveness: A Growth Agenda

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India's economic challenge today is to sustain 8–9 per cent growth over the next two decades to achieve the vision of a Viksit Bharat. The next Union Budget must focus on reforms that raise India's long-term growth potential.

First, lowering the cost of capital. India's private credit-to-GDP ratio remains low for an economy of its size and ambition. Banks are mandated to keep a significant share of deposits in government securities. A calibrated, phased reduction in the statutory liquidity ratio will create substantial lending capacity, thereby cutting borrowing costs and improving competitiveness. Equally important is addressing the "missing middle" in enterprise growth. While India has vibrant startups and large firms, too few small enterprises scale up to become medium-sized champions. Expanding credit guarantees to medium enterprises, with higher coverage for exporters, can crowd in private lending, enable scale, and generate employment without distorting market discipline.

Second, cities must be treated as engines of growth. Our cities can be drivers of growth, yet weak municipal finances, fragmented planning, and capacity constraints hold them back. The Budget must operationalise the Urban Challenge Fund, tying funding to outcomes: GIS-based master planning, modern property tax systems, professional urban staffing, waste management, and land value capture. Urban reform is not a municipal issue alone; it is critical for India's growth story.

Third, our trade competitiveness requires an integrated approach to customs and tariffs. While India has improved logistics and port infrastructure, customs processes and tariff structures create uncertainty and raise costs. To speed up clearances and lower transaction costs, the Budget must advance customs reforms and move to a risk-based customs regime. Transparency, trust, and reduced human interface, enabled by digitisation and integrated platforms, can significantly improve our trade competitiveness. Accompanied by tariff rationalisation, especially in intermediate goods, these moves will further our export competitiveness.

Fourth, India must place innovation at the centre of its growth strategy. Innovation is a key determinant of productivity and competitiveness. The Budget must advance the Deep Tech Fund of Funds to provide patient capital for cutting-edge technologies. Access to affordable, secure, renewable-powered compute is now as fundamental as access to power or transport infrastructure. Scaling domestic data centre capacity and establishing sovereign compute parks will position India as a global provider of digital and compute services under Indian jurisdiction. Innovation must also be linked to markets. A National Green Public Procurement Programme that aggregates demand for green technologies such as low-carbon steel, cement, aluminium, and batteries can help

Indian innovations scale. By providing assured offtake and reducing early-stage risk, government procurement, when used strategically, is a powerful tool for market creation.

Fifth, India must use tourism and the circular economy to generate jobs and improve quality of life. Tourism remains one of India's most underutilised job engines. Declaring 2027 as Visit India Year, combined with deregulation, destination infrastructure, and last-mile connectivity, can create large-scale employment, especially for youth and women. At the same time, growth must translate into better living conditions. Productivity losses are real and rising. Cleaner air and water, starting with the National Capital Region, are economic necessities. Strong enforcement, clean mobility, waste reform, and water quality management are essential investments in human capital. Finally, a National Circular Economy Mission can reduce dependence on imports, create new industries, and generate jobs by turning waste into value. Circular economy parks, demand mandates, and blended finance can help scale this transition.

The message for the Budget is clear: focus on capital, cities, trade, innovation, and quality of life. These are not competing priorities; together, they form the backbone of sustained high growth.

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