



NITI Aayog

# NITISंधान

Quarterly newsletter by Research and Networking (R&amp;N) Division of NITI Aayog



## Message from Vice Chairperson

Building on the momentum of the 10<sup>th</sup> Governing Council Meeting of NITI Aayog—where the Hon'ble Prime Minister urged each state to chart its own "Viksit Rajya for Viksit Bharat @ 2047" roadmap—NITI Aayog, in collaboration with NCAER, convened

a half-day policy workshop with leading experts to explore pathways for state-level fiscal reform and socio-economic development.

The workshop underscored the importance of a robust, data-driven framework to promote inclusive development by expanding welfare coverage, reducing leakages, and ensuring last-mile delivery. Through such initiatives, NITI Aayog offers actionable, evidence-based solutions to states, reinforcing its pivotal role in advancing cooperative federalism in India.

NITISंधान, our quarterly newsletter and flagship platform for sharing NITI's research, showcases the organisation's efforts in promoting cooperative and competitive federalism. I hope this edition serves as a valuable resource for our readers.

**Shri Suman Bery**  
Vice Chairperson, NITI Aayog



## From the desk of CEO

The third edition of NITISंधान underlines the commitment of NITI Aayog, the premier think-tank of the Government of India, to work towards evolving the growth path of the Indian economy by leveraging evidence-driven research and strategic planning. Designed to act as a nexus for knowledge and innovation, we stand at the vanguard of policymaking to ensure sustainable and equitable

socio-economic growth.

In the last quarter, multiple research studies were published with a focus on making the economy more competitive. The framework designed to enhance the competitiveness of MSMEs in India using a cluster approach is one such initiative which would enable Medium Enterprises to emerge as a pillar of India's industrial ecosystem and a key driver of the nation's long-term economic resilience. Another report on India's hand & power tools sector explores an export opportunity worth over \$25 billion.

NITISंधान, our quarterly newsletter and a flagship tool for disseminating NITI's research, reflects our commitment to transparency, knowledge sharing, and collaborative engagement. We welcome your valuable feedback to enhance its relevance and effectiveness, and to ensure it continues to serve as a meaningful resource for the learning and growth of all stakeholders.

**Shri B.V.R. Subrahmanyam**  
CEO, NITI Aayog

## About Research and Networking (R&N) Division

To further strengthen and streamline the research work being facilitated and undertaken by NITI Aayog, a separate Research and Networking (R&N) Division was formed in 2024. The R&N Division will oversee the development of a robust pipeline of research studies, evolve a multi-pronged dissemination strategy and foster a networking mechanism amongst relevant stakeholders from the policy research ecosystem.

**Ms. Anna Roy** (Programme Director, Research and Networking Division, NITI Aayog)  
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## NITI Spotlight: Ideas, Impact, Insights



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National Data and Analytics Platform (NDAP) facilitates and improves access to Indian government data by bringing together datasets from across India's extensive administrative landscape. It allows users to search, merge, visualise, and download datasets easily.

## Research Publications this Quarter



Designing a Policy for Medium Enterprises



Enhancing Competitiveness of MSMEs in India



Unlocking \$25+ Billion Export Potential – India's Hand & Power Tools Sector



Automotive Industry: Powering India's Participation in Global Value Chains



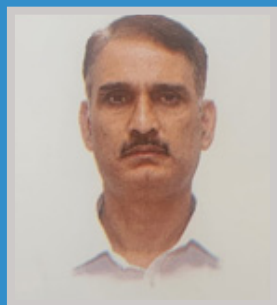
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## Citations in Media

- "NITI Aayog Report Charts Path to Boost MSME Competitiveness." DD News, 2 May 2025
- "Smart Tech, Self-Driving and Safety Features to Dominate Auto Industry by 2030: Niti Aayog Report." The Economic Times
- "Fintech Tools to Transform Medium Enterprises into Growth Engines: NITI." Business Standard, 26 May 2025
- "NITI Aayog Eyes \$25 Billion Exports of Hand and Power Tools by 2035." Mint, 22 Apr. 2025
- "NITI Aayog Lays Out a Roadmap to Support Medium Enterprises." The Economic Times, 26 May 2025
- "NITI Aayog Sees Bright Future for India in Power and Hand-Tools Export." The Hindu, 3 July 2025
- "India's Automotive Industry Contributes 7.1% to India's Gross Domestic Product Says NITI Aayog." Business Standard, 15 Apr. 2025

# Voice of our Researchers

## Automotive Industry: Powering India's Participation in Global Value Chains



**Ishtiyaque Ahmed**

Programme Director, Industry & Foreign Investment Division

Co-Authors: Upendra Kumar Gupta, Abhishek Mukherjee, Bhadraksh Bhargav

India's manufacturing sector has experienced significant growth since the introduction of the Liberalisation, Privatisation, and Globalisation (LPG) reforms. It currently contributes approximately 17% to the country's GDP. Manufacturing plays a pivotal role in driving economic development and industrial expansion. Among its key contributors is the automotive sector, which alone accounts for nearly 7% of India's GDP. It is one of the most advanced, complex, and globally integrated industries, operating through intricate Global Value Chains (GVCs). The sector is also a leader in technological innovation and continuous advancement. The global automotive industry is undergoing a major transformation, marked by increasing integration of advanced technologies such as autonomous driving and Advanced Driver Assistance Systems (ADAS). The global shift from conventional internal combustion engine vehicles to electric vehicles (EVs), including the development of hydrogen fuel cell technology, is significantly reshaping market demand and product development priorities.

	POINT OF DEPARTURE (FY23)	Vision (FY30)
Global Autocomp consumption	\$2000B	\$2400B
Global Autocomp GVC	\$700B	\$750B
India Autocomp consumption	\$70B	\$120B
India Exports	\$20B	\$60B
India Net Exports	\$0B	\$25B
India Production	\$70B	\$145B
India GVC salience (% share of global)	3%	8%
Direct Employment	1.5M	3-4M

In this context, India's automotive industry has made remarkable progress over recent decades, evolving from a supplier of non-critical components to a reliable exporter of critical automotive parts. Despite the advantage of low-cost labour, the sector faces significant challenges and

continues to operate at a cost disadvantage compared to global peers. High raw material costs, depreciation, taxation, and limited access to affordable financing, together, offset the labour cost benefit. At only 3 per cent, its contribution to the global automotive value chain market share remains small. The limited global position of the industry is a reflection of challenges with low investment in research and development (R&D), inadequate infrastructure, limited access to advanced global technology, inadequate marketing support, and a shortage of skilled labour. It is necessary for the sector to receive policy attention and coordinated interventions to deepen its engagement with the global landscape.

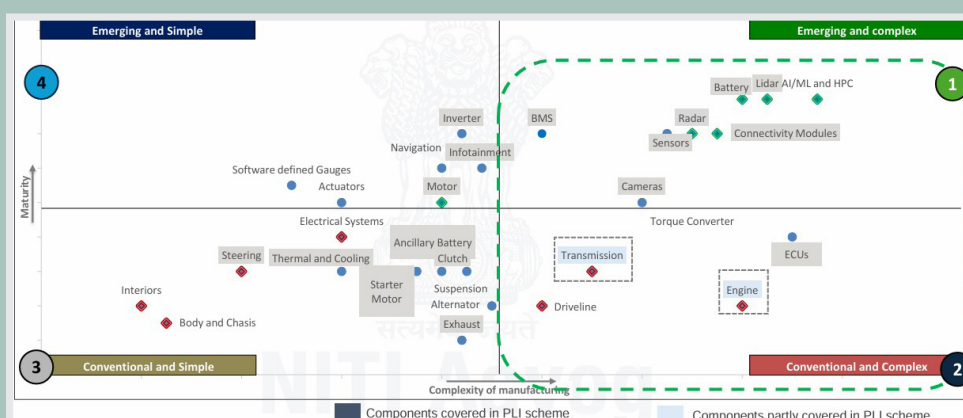
Recognising the strategic significance of this sector, NITI Aayog has undertaken a project aimed at advancing India's positioning in the global automotive value chain. As a part of this initiative, NITI Aayog held extensive field visits and stakeholder consultations to formulate policy interventions. These interventions follow a focused approach in targeting components based on their technological maturity and complexity, and components are systematically mapped into strategic quadrants, which serve as a framework for guiding tailored policy actions. This targeted methodology helps eliminate duplication of efforts, optimise resource allocation and maximise the overall impact of these interventions.

NITI's report addresses the specific challenges and lays down a roadmap for propelling the growth of this sector through tailored fiscal and non-fiscal interventions. These measures are designed to strengthen the sector's global competitiveness and deepen its integration into global value chains. Fiscal interventions include support for operational and capital expenditures (Opex and Capex), skill development initiatives, establishment of robust R&D ecosystems, cluster development, government-facilitated IP transfers, and branding/ marketing support. Non-fiscal measures focus on fostering technology transfer and foreign collaboration through joint ventures, enhancing the Ease of Doing Business (EoDB), exploring signing Free Trade Agreements (FTAs), supplier development and discovery, flexible working hours, and ensuring a mission-mode execution strategy.

This multifaceted approach is expected to reduce India's cost disability, boost production and exports, and generate significant employment opportunities, ultimately fuelling the sustainable growth of the Indian automotive sector to achieve Vision@2030.



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## Charting the Path to Viksit Bharat: Insights from India Policy Forum '25 Workshop

NITI Aayog, in collaboration with NCAER, successfully conducted a half-day policy workshop titled “Viksit Rajya for Viksit Bharat @ 2047: Pathways to Fiscal Strength and Inclusive Growth.” The workshop, held on June 28th, 2025, aligned with the vision articulated by the Hon'ble Prime Minister at the 10th Governing Council Meeting, urging states to chart their roadmap toward a Viksit Bharat.

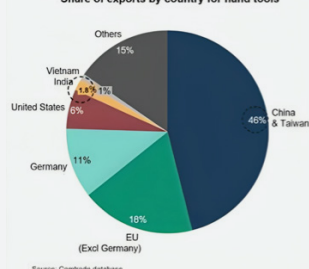
The workshop commenced with welcome remarks by Dr Anil Sharma, Secretary and Operations Director, NCAER. Prof. Karthik Muralidharan from the University of California set the ball rolling with a talk on “A Human Development and Jobs Agenda for Viksit Rajya”. Shri Rajiv Gauba, Member, NITI Aayog, delivered a special address on how real action for development has to be state-driven for India to achieve the idea of Viksit Bharat, and Shri Suman K. Bery, Vice Chairman, NITI Aayog, presented the keynote address.

The first session, titled “Smart States, Sound Finances: Data-Driven Fiscal Transformation,” chaired by Dr. Arvind Panagariya, Chairman, Sixteenth Finance Commission featured a presentation by Dr. Pravakar Sahoo, Programme Director, NITI Aayog, followed by insights from Prof. Amartya Lahiri, University of British Columbia and Prof. Pravin Krishna, John Hopkins University.

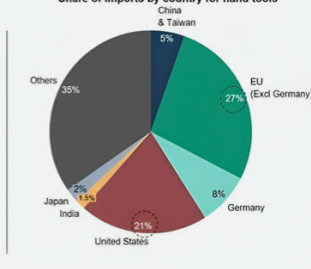
The second session, titled “Equity by Design: Data Roadmaps for Inclusive Growth,” chaired by Dr. V.K. Paul, Member, NITI Aayog, included a presentation by Mr. Rajib Sen, Programme Director, NITI Aayog, followed by Dr. Sam Asher, Imperial College London, Prof. Namrata Kala, MIT Sloan School of Management, and Prof. Nirvikar Singh, Co-Director, Centre for Analytical Finance, University of California, expressing their views on the same.



Share of exports by country for hand tools

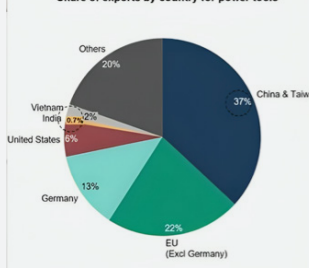


Share of imports by country for hand tools

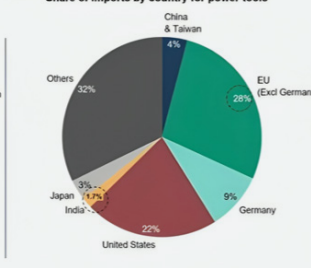


### Share of Global Exports and Imports of Hand Tools

Share of exports by country for power tools



Share of imports by country for power tools



### Share of Global Exports and Imports of Power Tools

## Unlocking \$25+ Billion Export Potential - India's Hand & Power Tools Sector

With a global trade market valued at ~\$100 billion in 2022, projected to reach \$190 billion by 2035, the tools sector presents a significant opportunity for India to enhance its export footprint, create millions of jobs, and establish itself as a competitive player on the world stage.

As of 2025, hand tools account for \$34 billion of the ~\$100 billion market, expected to grow to \$60 billion by 2035. Power tools, including tools accessories, predominantly electrical, constitute \$63 billion and are also projected to reach \$134 billion by 2035, reflecting a balanced growth pattern across both categories.

In 2025, India exports \$600 million in hand tools, representing a 1.8% market share, and \$425 million in power tools, equating to a mere 0.7% share. The report identifies a \$25 billion export opportunity over the next decade, achievable by targeting a 10% market share in power tools and a 25% share in hand tools.

The decline in China's cost advantage due to tariffs and rising labour costs, coupled with India's proximity to key markets and trade agreements, positions the country favourably. However, realising this potential requires overcoming a 14-17% cost disadvantage compared to China, driven by higher structural costs and smaller operational scales.

With multiple challenges facing the tools industry, a strategic roadmap and policy interventions like addressing cost disadvantages by rationalising Quality Control Order (QCO) restrictions, reducing import duties, simplifying export promotion capital goods (EPCG) scheme, and reforming building & labour regulations, scaling operations through world-class clusters through PPP model, India can transform its tools industry into a \$25 billion export powerhouse by 2035.



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## Enhancing MSMEs' Competitiveness in India

This report is structured into four key chapters, each designed to deepen our understanding of India's Micro, Small and Medium Enterprises (MSMEs) competitiveness.

- Understanding MSMEs' Challenges for Enhancing Competitiveness**  
 After thoroughly examining challenges like financial constraints, technological gaps, skill shortages, and regulatory hurdles, the chapter lays a foundation for identifying key areas that require strategic intervention.
- Competitiveness Framework – MSMEs and the Path to Prosperity**  
 This framework charts a path to prosperity by emphasising the role of Clusters—geographic concentrations of interconnected businesses, suppliers, and institutions—which are shown to foster efficiency, innovation, and adaptability.
- Understanding MSMEs' Competitiveness in India Using the Clusters Approach**  
 The cluster approach is employed to comprehensively understand the performance and dynamics of Small and Medium Enterprises (SMEs) within the Indian economy. These regions use cluster mapping as a sophisticated tool for informing policy decisions and promoting cross-border collaborations.
- Policies for MSMEs in India**  
 The final chapter reveals that despite numerous policies, gaps in awareness, stakeholder engagement, and adaptability limit their impact. It concludes with recommendations for a more robust, adaptive policy framework that responds to the evolving needs of MSMEs, emphasising continuous monitoring, feedback integration, and data-driven adjustments.

MSMEs have also created a total of

# 120 Million Jobs



generated across various industries in India.

The report offers several actionable recommendations, like enhancing the role of Non-Banking Financial Companies (NBFCs) and the Small Industries Development Bank of India (SIDBI) to improve credit flow; addressing skill gaps by fostering partnerships between government, industry, and educational institutions; encouraging MSMEs to integrate into global value chains by improving logistics, digital connectivity, and trade infrastructure; Advocating for affordable digital risk management and insurance solutions, especially for MSMEs with extended supply chains.



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They make up about

# 90%

of businesses  
globally and are  
responsible for over

# 50%

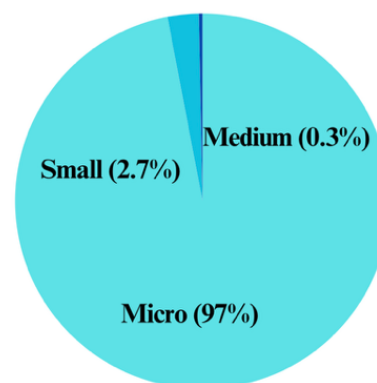
of the total global employment.



## Designing a Policy for Medium Enterprises

Medium enterprises are vital contributors to India's GDP; they contribute 40% of MSME export income and are more innovation-driven than small and micro enterprises. Despite immense potential and strengths, medium enterprises need certain interventions to unlock their full potential. Through this report, a policy framework will be designed that addresses the specific needs of medium enterprises by analysing existing opportunities and reviewing international best practices.

### %Share of MSME Unit

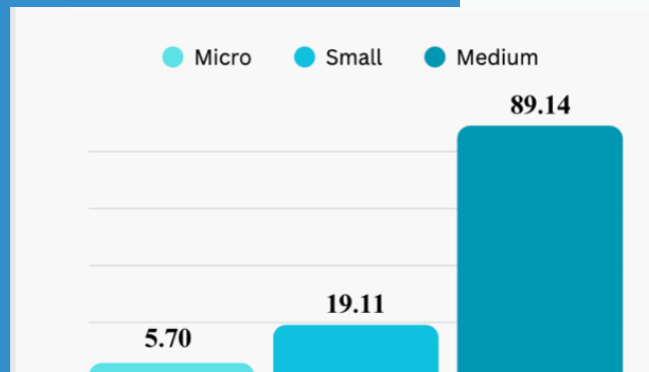


- Tailored financial initiatives for Medium Enterprises, allowing them to apply for a loan at concessional rates at their local retail banks and receive fast-tracked decisions.
- Technology integration in business operations by leveraging the existing Technology Centres (TCs) under the Ministry of MSME and revamping them into "India SME 4.0 Competence Centres."
- R&D promotion for Medium Enterprises by utilising a certain portion of the Self-Reliant India Fund for exclusively financing Medium Enterprise projects.
- Enhancing MSE-CDP: integrating cluster-wise testing facilities for Medium Enterprises
- Customised skill development initiatives for Medium Enterprises by expanding the three components of the Entrepreneurship Skill Development Programme (ESDP) Scheme - a six-week training programme, the One Week Advanced ESDP programmes, and the One Week Advanced MDPT training Programmes.
- Centralised Portal for Medium Enterprises as a sub-portal of the Udyam Portal, which will ease access to information, applications, and support schemes.



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### Employment Per Unit of MSME



With a strategic and coordinated approach, the growth trajectory of Medium Enterprises can be accelerated, enabling them to emerge as a pillar of India's industrial ecosystem and a key driver of the nation's long-term economic resilience.