

Viksit Bharat's Engine: An Institutional Roadmap to a \$ 30 Trillion Economy

The Macroeconomic Institutional Imperative

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This working paper is the first of a series on Viksit Bharat, which will address different aspects of this multi-generational challenge. More information on the series can be obtained from <https://cprindia.org/project/the-viksiti-bharat-series/>

LIST OF ACRONYMS

BBB:	Bank Boards Bureau
CAG:	Comptroller and Auditor General of India
CBIC:	Central Board of Indirect Taxes and Customs
CBDT:	Central Board of Direct Taxes
CIRP:	Corporate Insolvency Resolution Process
CoC:	Committee of Creditors
DTC:	Direct Tax Code
ETS:	Emissions Trading System
FRBM:	Fiscal Responsibility and Budget Management
FSDC:	Financial Stability and Development Council
GST:	Goods and Services Tax
IBC:	Insolvency and Bankruptcy Code
IFMIS:	Integrated Financial Management Information System
IRDAI:	Insurance Regulatory and Development Authority of India
MoF:	Ministry of Finance
MoEFCC:	Ministry of Environment, Forest and Climate Change
MPC:	Monetary Policy Committee
NCLT:	National Company Law Tribunal
NIE:	New Institutional Economics
NSC:	National Statistical Commission
OBR:	Office for Budget Responsibility (United Kingdom)
PFM:	Public Financial Management
PSB:	Public Sector Bank
RAAI:	Resilient, Agile, Accountable, and Inclusive
RBI:	Reserve Bank of India
SEBI:	Securities and Exchange Board of India
ULB:	Urban Local Body

INTRODUCTION: THE INSTITUTIONAL CORE OF A NATIONAL ASPIRATION

THE VIKSIT BHARAT VISION AND ITS FOUNDATIONAL PUZZLE

India, a civilisation of ancient wisdom and youthful dynamism, stands at a momentous historical juncture. It has articulated a bold, unifying, and profoundly ambitious national vision: 'Viksit Bharat @ 2047'. This is not merely a slogan; it is a solemn pledge to transform India into a fully developed, high-income nation by the centenary of its independence. Central to this aspiration is the formidable goal of achieving a USD \$30 trillion-plus economy. This objective signifies not just unprecedented economic scale but, more importantly, a future of substantially enhanced prosperity, dramatically improved standards of living, and greater global influence. The promise of Viksit Bharat is a future where each of India's 1.4 billion people has equitable access to high-quality education and comprehensive healthcare; secure and dignified livelihoods that offer pathways to upward mobility; the assurance of clean air and water; responsive and efficient public services that uphold their rights; and the opportunity to realise their fullest human potential.

Table 1: Viksit Bharat @ 2047 – Key Macroeconomic Targets and Current Status (FY2025 Estimates)

Indicator	Viksit Bharat @ 2047 Aspiration	Current Status (FY2025 Estimate)	Implied Requirement
Nominal GDP	> USD \$30 Trillion	~ USD \$4.1 Trillion	~8-9% average real GDP growth + inflation
Per Capita Income	> USD \$18,000 (High-Income Threshold)	~ USD \$2,800	Sustained, inclusive, and productivity-led growth
Human Development Index (HDI)	> 0.900 (Very High)	~ 0.650 (Medium)	Transformative investment in health & education
Tax-to-GDP Ratio	> 25% (Peer Average)	~ 17.6%	Deep institutional reforms in tax policy & admin
Female Labor Force Participation	> 50%	~ 37%	Structural reforms for quality job creation

Source: Author's compilation based on IMF, World Bank, and Government of India projections.

Achieving these targets requires a sustained economic growth rate of 8 per cent or more for over two decades, an endeavour that necessitates unwavering macroeconomic stability. This journey, however, is far more complex than a simple extrapolation of past successes. India must chart this ambitious course against a backdrop of formidable global headwinds. Geopolitical conflicts, such as those in Eastern Europe and the Middle East, have frayed global supply chains and injected volatility into commodity markets. The rise of geoeconomic fragmentation, characterised by protectionist trade policies and "friend-shoring," challenges the export-led growth models that propelled many East Asian economies. Furthermore, the exponential advance of technologies like Artificial Intelligence presents a dual challenge: a potential engine for unprecedented productivity growth, but also a source of massive disruption to labour markets and social structures. Looming over all of this is the escalating global climate crisis, which imposes both physical risks from extreme weather events and complex transition risks as the world moves away from fossil fuels.

This complex environment brings into sharp focus the "Middle-Income Trap," a phenomenon where rapidly growing economies stagnate at middle-income levels, unable to make the leap to high-income status. Countries like Brazil and South Africa have languished for decades in this trap, hampered by institutional weaknesses, low productivity growth, and high inequality. In contrast, economies like South Korea and Taiwan successfully transitioned by fundamentally upgrading their national institutions to support an innovation-driven economy. This presents a major "Institutional Transition Puzzle" for India. The very institutions that propelled India to its current economic stage, while possessing many commendable strengths, may themselves require fundamental re-engineering and deep capacity augmentation to effectively navigate the complexities of managing a \$30 trillion economy.

This exposes a foundational "Institutional Efficacy Puzzle" that lies at the heart of India's development challenge: Despite acknowledged potential, a dynamic private sector, and decades of ambitious reforms, why does a significant gap persist between developmental aspirations and on-the-ground outcomes? This working paper argues that the primary answer to this critical puzzle lies not in a deficit of policy ideas, but in the insufficient capacity and effectiveness of its core macroeconomic and governance institutions—the very "engine" of its economic ascent. The central thesis is that achieving the promise of *Viksit Bharat* hinges on a strategic shift in focus: from *what* policies to adopt, to *how* to build the institutional foundations that ensure any policy is effectively designed, implemented, and sustained.

Adopting this deep institutional lens is fundamentally critical. Strong institutions are the foundational "operating system" for the entire economy, upon which all other programs run. They are paramount because they enable stable, high, and sustainable growth by solving the credibility puzzle, ensuring low and stable inflation, and fostering prudent public finances that attract the long-term, patient capital required for an 8% growth trajectory. They act as systemic amplifiers, enhancing the ultimate success of other crucial national initiatives in infrastructure (like PM *Gati Shakti*), manufacturing (like the production linked incentive or PLI schemes), and human capital development. Critically, the very design and functioning of these institutions determine whether the fruits of growth are genuinely inclusive and equitable, with fair tax systems, well-targeted social spending, and broad access to financial services. In an increasingly volatile and interconnected world, they build national resilience, providing the macroeconomic buffers and policy response capacity to withstand external shocks like pandemics, financial crises, or supply chain disruptions. Finally, a deep institutional perspective allows for the design of reforms that are not merely "best practice" templates imported from abroad, but are context-specific, politically astute, and therefore durable and sustainable.

This paper provides a deep, systemic diagnostic of these key institutions—the Ministry of Finance (MoF), the Reserve Bank of India (RBI), financial regulators (SEBI, IRDAI), tax authorities (CBDT, CBIC), and crucial oversight bodies like the Finance Commission and the National Statistical Commission (NSC). It moves beyond analysing symptoms to uncover root causes embedded in flawed designs, capacity deficits, or political economy constraints. It then proposes a comprehensive, actionable roadmap for profound reform aimed at building the Resilient, Agile, Accountable, and Inclusive (RAAI) institutional foundations essential for transforming the *Viksit Bharat* vision into a tangible reality.

THE GOVERNANCE GAP & THEORETICAL FOUNDATIONS

THE POLICY-PRACTICE CHASM: WHY GOOD POLICIES FAIL

Traditional approaches to macroeconomic management, which have frequently prioritised "getting specific policies right," are profoundly insufficient. Decades of development experience globally, mirrored starkly in

India's own trajectory, reveal a persistent and deeply problematic gap between laudable policy intent and actual outcomes. This conventional approach consistently fails to explain this core puzzle of development.

This gap is what scholars Lant Pritchett, Michael Woolcock, and Matt Andrews (2013) have termed the "implementation gap." Policies are emphatically not self-executing. Their success depends critically on the institutional capacity of the state to implement them. India's experience is illustrative. The Fiscal Responsibility and Budget Management (FRBM) Act, 2003, established clear and legislated fiscal consolidation targets. However, consistent compliance has been elusive, with frequent deviations linked not just to external shocks but to persistent institutional factors: systemic biases towards optimistic revenue forecasting within the budgetary process; weaknesses in public financial management (PFM) systems that fail to track spending in real-time; and the pervasive use of off-budget financing through public sector undertakings that obscures the true state of public finances. Similarly, the Non-Performing Asset (NPA) crisis of the mid-2010s emerged despite the presence of robust prudential norms from the RBI, pointing directly to institutional weaknesses in Public Sector Bank (PSB) governance, particularly in the appointment of directors and the influence of political pressures on lending decisions, questioning the de facto efficacy of RBI's supervision of state-owned banks, and the absence of an adequate pre-IBC resolution mechanism.

This challenge is often compounded by a phenomenon termed "isomorphic mimicry." Developing countries, often to gain external legitimacy or fulfil donor conditionalities, adopt the external forms of "best-practice" institutions without achieving their intended functional effectiveness. A country might establish a sophisticated competition commission, for example, but if it lacks skilled economists, genuine autonomy from political influence, and the legal power to enforce its rulings against powerful incumbents, it becomes a hollow shell—an institution in form but not in function. Understanding and overcoming isomorphic mimicry is central to building genuine state capacity.

The effectiveness of macroeconomic policy, particularly monetary policy, also hinges heavily on credibility—the belief among households, firms, and investors that authorities will follow through on their announced intentions. This credibility is not built on promises but is an endogenous institutional outcome. The well-known "time inconsistency problem," for which Finn Kydland and Edward Prescott won the Nobel Prize, highlights the rational incentive for governments to deviate from optimal long-term plans (like maintaining low inflation) for short-term political gains (like a temporary boost in employment). Recognising this, a vast body of literature has shown that the establishment of robust institutional "commitment devices"—such as a legally mandated and operationally independent central bank or credible, independently monitored fiscal rules—becomes essential for overcoming this discretionary bias and building lasting credibility.

Finally, economic policies are not forged in a political vacuum. A purely technocratic view that treats politics as "noise" is naive and destined to fail. Economic policies are profoundly shaped by a complex landscape of competing interests. Vested interests, whether powerful industrial lobbies, agricultural groups, or public sector unions, can actively influence institutional design and implementation to protect their advantages. Understanding this intricate interplay between institutions and political economy is vital for designing reforms that are not only technically sound but also politically navigable and sustainable.

THEORETICAL SCAFFOLDING: INSTITUTIONS AS THE BEDROCK OF DEVELOPMENT

The argument for prioritising institutional reform is deeply rooted in several influential strands of economic and political economy theory, which provide the intellectual scaffolding for this paper's analysis.

New Institutional Economics (NIE): Pioneered by Nobel laureate Douglass North, NIE posits that "institutions form the incentive structure of a society and the political and economic institutions, in consequence, are the underlying determinant of economic performance." Formal rules (constitutions, laws) and informal norms (conventions, codes of conduct) determine transaction costs—the costs of engaging in economic exchange. In India, for example, the high transaction cost associated with enforcing a contract, due to a slow and overburdened judicial system, directly disincentivises complex business dealings and long-term investment. By reducing uncertainty, defining and enforcing property rights, and lowering transaction costs, effective institutions foster the complex market exchange and long-term capital formation that are essential for sustained growth.

Table 2: Key Economic Theories on the Primacy of Institutions

Theoretical School	Key Proponents	Core Proposition	Relevance to Viksit Bharat
New Institutional Economics (NIE)	Douglass North, Oliver Williamson, Ronald Coase ¹	Institutions are the "rules of the game" that determine transaction costs and property rights, shaping incentives.	A credible RBI, MoF, and judiciary reduce risk and uncertainty, enabling the long-term investment needed for 8%+ growth.
Inclusive vs. Extractive Institutions	Daron Acemoglu, James Robinson ²	Long-run prosperity is driven by "inclusive" institutions that distribute power broadly, not "extractive" ones that benefit a narrow elite.	The Viksit Bharat mission must be inclusive, requiring fair tax systems, equitable financial access, and robust competition policy.
Credible Commitments & Time Inconsistency	Finn Kydland, Edward Prescott ³	Policymakers have incentives to deviate from long-term plans. Independent institutions act as "commitment devices" to build credibility.	Justifies the institutional independence of the RBI's MPC and makes the case for an independent Fiscal Council to anchor fiscal policy.
State Capacity	Peter Evans, Timothy Besley ⁴	A state's ability to effectively design and implement policies and deliver public goods is a fundamental determinant of development.	Viksit Bharat is unachievable without high fiscal, monetary, and administrative capacity in key state institutions at all levels of government.

Inclusive vs. Extractive Institutions: Daron Acemoglu and James Robinson's influential work provides a powerful framework for understanding why some nations succeed and others fail. They argue that sustained prosperity is only possible under inclusive institutions—those that create a level playing field, protect property rights for the many, encourage investment and innovation, and distribute political power broadly.

¹ North, D. C. (1990).

² Acemoglu, D. and Robinson, J. (2012).

³ Kydland, F. E., & Prescott, E. C. (1977).

⁴ Besley, Timothy, and Torsten Persson. 2009

In contrast, extractive institutions are designed to extract resources from the majority of the population to benefit a narrow elite. This has profound implications for Viksit Bharat. It demands a conscious effort to make India's institutions more inclusive: a fair and progressive tax system that doesn't disproportionately burden the honest few; financial regulations that prevent crony capitalism and promote broad access to credit; and a competition policy that vigorously prevents the abuse of market power by dominant firms.

Credible Commitments and Time Inconsistency: This school of thought, with roots in macroeconomic theory, provides the core rationale for institutional independence in certain domains. The theory of Central Bank Independence (CBI), for instance, shows how delegating monetary policy to an independent but accountable institution, insulated from the short-term pressures of the political cycle, can lead to lower and more stable inflation outcomes over the long run. Similarly, the literature on fiscal policy points to a natural "deficit bias" in democracies, where the political benefits of spending are immediate and concentrated, while the costs of higher taxes or debt are deferred and dispersed. This provides the theoretical rationale for credible fiscal rules and the creation of independent Fiscal Councils to serve as institutional commitment devices for long-term fiscal prudence.

State Capacity: Work by scholars like Peter Evans and Timothy Besley emphasises that development is not just about getting policies right, but about having a state that is capable of implementing them. Effective governance requires a capable state with high fiscal capacity (the ability to raise revenue and manage expenditure), monetary and financial capacity (the ability to conduct central banking and regulation), and legal and administrative capacity (the ability to enforce laws, protect property, and deliver public services). This paper argues that Viksit Bharat is unachievable without a quantum leap in these core state capacities, all of which are underpinned by a professional, meritocratic civil service and a credible national statistical system.

AN ANALYTICAL FRAMEWORK: THE SEVEN DIMENSIONS OF INSTITUTIONAL QUALITY

To diagnose India's institutional landscape rigorously and move beyond generic assessments, this paper employs a consistent analytical framework based on seven critical dimensions of institutional quality. Each represents a vital attribute that determines the effectiveness and resilience of core macroeconomic institutions.

1. **Mandate Clarity & Appropriateness:** This dimension assesses whether the institution's fundamental objectives are clearly, and coherently, and appropriately defined in law. An ambiguous mandate, for instance, for the RBI on whether to prioritise inflation control versus managing government debt yields can create policy dilemmas that undermine macroeconomic stability. As institutions face new challenges like climate change and technological disruption, this dimension requires explicit mandate updates to ensure they remain fit-for-purpose for the Viksit Bharat journey.
2. **Independence (Operational Autonomy):** This examines the extent to which an institution possesses the necessary freedom from undue short-term political interference or captures by vested interests in its day-to-day operations. Operational independence, particularly for the RBI's MPC or a potential Fiscal Council, is crucial for making credible commitments to long-term objectives like price stability or fiscal sustainability. This autonomy, however, is not absolute and must be earned through demonstrated competence and balanced by robust accountability.
3. **Accountability Mechanisms:** Robust accountability is the cornerstone of democratic legitimacy and the necessary corollary to independence. This dimension assesses the strength and effectiveness of mechanisms (e.g., reporting to Parliament, performance audits by the CAG, public disclosures, press

conferences, etc.) through which powerful public institutions are held answerable for their actions and performance against their mandates.

4. **Transparency & Disclosure:** This relates to the openness, clarity, and accessibility of information regarding an institution's objectives, data, decision-making processes, and policy rationale. High levels of transparency—such as the RBI publishing detailed MPC minutes or the MoF providing a full accounting of off-budget liabilities—are fundamental for fostering predictability for economic agents, enabling public scrutiny, and building essential public trust.
5. **Institutional Capacity (Technical, Administrative, Financial):** This critical dimension evaluates whether the institution possesses the necessary organisational resources—encompassing skilled human capital, adequate funding, and modern technological infrastructure—to effectively perform its complex tasks. A significant "capacity deficit" in areas like data science, forensic auditing, or climate risk modelling is a primary contributor to the policy-practice chasm.
6. **Coordination Mechanisms:** Given the deep interconnectedness of macroeconomic issues, this dimension assesses the effectiveness of institutional mechanisms for ensuring policy alignment, timely information sharing, and collaborative action between key institutions (e.g., MoF-RBI dialogue, the Financial Stability and Development Council - FSDC) and across different levels of government in India's federal system.
7. **Adaptability & Learning Capacity:** In a rapidly changing world, institutions cannot be static. This dimension assesses whether an institution possesses mechanisms to learn from experience (e.g., post-crisis reviews), anticipate emerging challenges (like cyber threats or pandemics), and proactively adapt its strategies, policy tools, and internal structures to remain effective over time.

INSTITUTIONS OF PUBLIC FINANCE: ARCHITECTING STATE CAPACITY

THE TAX MOBILISATION CHALLENGE: FUNDING THE FUTURE

A persistent and critical challenge for India is its relatively low tax-to-GDP ratio, which, at a combined Centre and State level of around 17-18%, lags significantly behind the emerging market average of ~25%. This structural revenue weakness starves the state of the essential resources needed for building world-class infrastructure and funding a massive green transition.

The Goods and Services Tax (GST) Paradox: The GST, introduced in 2017, was a landmark reform with the potential to unify the national market and enhance tax buoyancy. Yet, its potential remains unfulfilled. The system was hampered by an unusually complex multi-rate structure (*recently consolidated to three main rates: 0%, 5%, and 18%, plus cess*) which creates classification disputes and erodes the tax base. This complexity acts as a rigid institutional barrier for inclusion. The difficulty of navigating multiple rates, managing the complex refund process (due to the inverted duty structure), and handling technological glitches in the GSTN IT backbone dissuades Micro, Small, and Medium Enterprises (MSMEs) and those in the informal sector from formalizing. This undermines the very growth agenda of Viksit Bharat, as it keeps a vast number of small entrepreneurs—including many women trapped in necessity-driven enterprises—outside the tax net, denying them access to formal credit and integrated supply chains. Furthermore, a large and politically sensitive list of exemptions, including key items like electricity, petroleum products, and alcohol for human consumption, keeps a significant portion of the economy outside the GST net, breaking the value-added chain and eroding the tax base.

INSTITUTIONAL REFORM AGENDA (REVENUE)

Launch "GST 2.0" - A Project in Phased Institutional Commitment: The goal is to transform the GST from a complex mechanism into an efficient engine of revenue and formalization. This requires a sequenced commitment from the GST Council:

1. Phase I: Radical Simplification (Build Trust): The primary and immediate target must be the simplification of the rate structure (moving to a two-rate system: a low rate for essentials and a standard rate). This institutional commitment is crucial to reduce the administrative burden, encouraging Micro, Small, and Medium Enterprises (MSMEs) to formalize and freeing up administrative capacity.
2. Phase II: Strategic Inclusion (Expand the Base): A systematic, phased plan must be enacted to bring currently excluded items into the GST net. This plan should prioritize inclusion based on minimizing political friction and maximizing economic gain: starting with electricity and natural gas to resolve the inverted duty structure problem, followed by a time-bound commitment to include petroleum products.
3. Governance Mechanism: The framework must empower the GST Council to make decisions based on economic optimality, while providing a clear and *rules-based compensatory mechanism* to States to mitigate their political risk during the transitional inclusion of high-revenue items.

THE FISCAL CREDIBILITY CHALLENGE: ANCHORING STABILITY

The FRBM Act has served as a nominal anchor for fiscal policy, but its effectiveness has been systematically undermined by frequent pauses, the use of "escape clauses," and off-budget borrowings that obscure the true state of public finances. The core of this "credibility challenge" is the institutional vacuum at the heart of fiscal oversight. The budget process is largely an internal exercise within the executive branch, lacking a credible, independent body to vet its underlying macroeconomic assumptions.

International experience with Independent Fiscal Institutions (IFIs) provides a powerful case for reform. The United Kingdom's Office for Budget Responsibility (OBR), established in 2010 in the wake of the global financial crisis, has been widely credited with reducing forecasting bias in official revenue and growth projections and improving the transparency of UK public finances. In the United States, the non-partisan Congressional Budget Office (CBO) provides crucial, credible analysis of the President's budget and the fiscal impact of proposed legislation, serving as an indispensable input into the legislative process. Chile's independent fiscal councils have helped anchor fiscal policy through multiple political cycles, contributing to its macroeconomic stability. These examples demonstrate that while the specific design must be tailored to the national context, the core institutional function of providing independent oversight significantly enhances fiscal credibility. The N.K. Singh Committee on FRBM Review (2017) strongly recommended the establishment of such a council for India, a recommendation that remains unimplemented.

Table 3: Proposed Institutional Design for an Indian Fiscal Council

Feature	Proposed Specification	Rationale
Legal Status	Statutory body established by a dedicated Act of Parliament.	Ensures independence, durability, and a clear legal mandate beyond executive whim.
Mandate	1. Provide independent macro-fiscal forecasts. 2. Assess budget's compliance with fiscal rules. 3. Monitor performance and advise on escape clauses. 4. Analyse long-term fiscal sustainability.	Provides unbiased technical inputs, enhances transparency, and acts as a public conscience for fiscal prudence.
Composition	A small body (e.g., 3-5 members) of eminent, apolitical economists, public finance experts, and econometricians.	Prioritises deep technical expertise and professional integrity over representation.
Appointment	Appointed by the President based on recommendations from a high-level, independent search-cum-selection committee.	Insulates appointments from direct political influence.
Accountability	Accountable to Parliament, with its reports tabled and discussed.	Balances independence with democratic accountability.

Source: Author's synthesis based on international best practices and Indian reform committee reports.

INSTITUTIONAL REFORM AGENDA (CREDIBILITY)

Establish a Statutory, Independent Fiscal Council: This is the single most important institutional reform for fiscal stability. The Council, designed as per the table above, would act as an institutional commitment device, introducing a neutral, technically proficient voice into the budgetary process, reducing the scope for politically motivated fiscal slippages, and enhancing the credibility of fiscal policy in the eyes of domestic and international investors.

Reform the FRBM Framework for Transparency: The fiscal rules should be simplified to focus on a clear, long-term public debt-to-GDP anchor, as recommended by the N.K. Singh Committee. Crucially, the definition of both deficit and debt must be comprehensive, legally requiring the transparent reporting of all extra-budgetary resources and contingent liabilities.

THE FEDERALISM CHALLENGE: EMPOWERING STATES AND CITIES

Viksit Bharat cannot be achieved by the Centre alone. India's federal structure is a source of strength, but also of significant institutional challenges. True state capacity requires empowered and fiscally healthy sub-national governments, which are responsible for delivering most of the critical public services like health, education, and law and order.

Strengthening Fiscal Federalism: The Finance Commissions, appointed every five years, are a unique constitutional institution for mediating vertical (Centre-to-states) and horizontal (among states) fiscal devolution. However, the system faces challenges. There is a need for greater predictability and transparency in transfer systems to allow states to plan for the long term. The increasing reliance by the Centre on cesses

and surcharges, which are not part of the divisible pool of taxes shared with states, has become a major point of friction and is seen by many states as undermining the spirit of fiscal federalism.

The Urban Governance Deficit: India's cities are its primary engines of economic growth, but they are crippled by a deep and persistent institutional failure. The 74th Constitutional Amendment Act of 1992 was a landmark step towards empowering Urban Local Bodies (ULBs), but its implementation has been deeply flawed. Most ULBs lack genuine financial autonomy, technical expertise, and transparent governance structures. They have limited power to levy taxes and user charges, with property tax administration being notoriously inefficient and undervalued. This makes them perpetually dependent on discretionary transfers from state governments, undermining local accountability and their ability to deliver basic services like clean water, sanitation, and public transport. The development of a robust municipal bond market, a crucial source of financing for urban infrastructure, has been painfully slow due to the weak financial health and poor credit ratings of most ULBs.

INSTITUTIONAL REFORM AGENDA (FEDERALISM)

Revitalize Urban Governance and Financing: Launch a national mission, perhaps "Empowered Cities 2.0," to spearhead institutional reforms that dramatically empower ULBs. This requires state-level legislative changes to grant them genuine financial autonomy, including control over property tax rates and collection (leveraging GIS mapping and data analytics for better valuation), and the power to implement cost-reflective user charges for services. It also requires building technical capacity within ULBs for financial management and project execution.

Rationalise Fiscal Transfers and Empower Finance Commissions: The recommendations of the Finance Commission must be treated with sanctity. The framework for fiscal transfers should be made more transparent and rule-based. Furthermore, the institutional capacity of the Finance Commission itself should be strengthened, transforming it into a permanent secretariat to continuously monitor fiscal developments at both the central and state levels.

MONETARY AND FINANCIAL SECTOR INSTITUTIONS: FORGING STABILITY AND EFFICIENCY

A stable, efficient, and inclusive financial system is the lifeblood of a modern economy. It channels savings into productive investment, facilitates payments, and helps manage risk. The RBI and other financial sector regulators must continuously evolve to manage increasing complexity, support growth without fueling instability, and safeguard the system from emerging risks on the path to a \$30 trillion economy.

THE MONETARY POLICY FRAMEWORK: SAFEGUARDING CREDIBILITY

The adoption of the Flexible Inflation Targeting (FIT) framework in 2016, operationalised through the six-member Monetary Policy Committee (MPC), has been a significant institutional success. It has provided a clear nominal anchor for monetary policy, helping to lower and stabilise inflation expectations. This journey from a multiple-indicator approach to a clear inflation-targeting mandate was based on the recommendations of the Urjit Patel Committee and represented a major step in aligning India's monetary policy framework with global best practices.

The primary challenge going forward is to safeguard the *de facto* operational independence of the RBI. While the RBI Act provides for legal independence, this can be eroded by informal pressures or by fiscal policies that are not aligned with the inflation target (a situation known as fiscal dominance). Maintaining the credibility of the FIT framework requires that the MPC is, and is seen to be, making decisions based on its mandate of price stability, even when those decisions are politically unpopular in the short term. This credibility is an invaluable national asset, as it protects the purchasing power of every Indian, especially the poor, who are most vulnerable to the ravages of inflation.

INSTITUTIONAL REFORM AGENDA (MONETARY POLICY)

Strengthen MPC Processes and Capacity: Uphold and strengthen the institutional processes of the MPC. This includes ensuring that the appointment process for external members is transparent, merit-based, and free from political considerations. The RBI must also continue to invest in upgrading the technical capacity that supports the MPC, including its economic modelling, forecasting, and data analytics capabilities.

Enhance Transparency and Forward Guidance: The RBI should continue to enhance its communication strategy to better manage market expectations. Publishing a visual representation of the MPC's projected inflation and growth paths, including uncertainty bands (a "fan chart"), could provide clearer and more effective forward guidance than purely textual statements.

Establish a Formal, Periodic Review of the FIT Framework: The FIT framework itself should not be static. It is crucial to institutionalise a transparent, consultative process every five years to review the framework's parameters—such as the target inflation rate (currently 4%) and the tolerance band (+/- 2%)—to ensure they remain appropriate for India's evolving economic structure.

THE TRANSMISSION AND RESOLUTION CHALLENGES: UNCLOGGING THE ARTERIES

Two key institutional blockages inhibit the financial system's efficiency and undermine the effectiveness of monetary policy.

The "Transmission Challenge": The channels through which the RBI's policy rate changes affect the real economy are often slow and incomplete. This weak monetary policy transmission is due to several institutional rigidities. The dominance of Public Sector Banks, whose lending decisions are not always purely commercial, is one factor. Another is the prevalence of administered interest rates on small savings schemes, which are set by the government and are often sticky, providing an alternative source of funding for banks that is insensitive to policy rate changes. A shallow corporate bond market also means that most firms rely on bank credit, limiting the channels of transmission.

The "Resolution Challenge": The inability to resolve financial distress quickly and efficiently has been a long-standing problem in India. While the landmark Insolvency and Bankruptcy Code (IBC) of 2016 was a revolutionary institutional reform, its implementation has faced significant hurdles. The resolution process remains slow, plagued by judicial delays in the National Company Law Tribunal (NCLT), which is understaffed and overburdened. Frequent and prolonged litigation by erstwhile promoters challenges the authority of the Committee of Creditors (CoC) and leads to significant value erosion.

INSTITUTIONAL REFORM AGENDA (FINANCIAL SECTOR)

Improve Monetary Transmission: Address institutional rigidities by pushing for deep reforms in PSB governance, further developing the corporate bond market to provide an alternative to bank finance, and ensuring better fiscal-monetary coordination by linking small savings interest rates more closely to market rates.

Strengthen the IBC Ecosystem: Augment the capacity of the NCLT by creating specialized, high-capacity benches and appointing more members with expertise in commercial law and finance. Introduce and popularize a standardized pre-packaged insolvency framework for MSMEs to provide a faster and less costly resolution pathway.

Overhaul Public Sector Bank (PSB) Governance: This is a critical, long-pending reform. The government must move decisively to professionalise PSB boards by fully implementing the recommendations of the P.J. Nayak Committee (2014). This includes creating a Bank Investment Company to act as a holding company for government shares, thereby distancing the government from the board appointment process and day-to-day management and granting genuine autonomy to boards in commercial decisions, while holding them accountable for performance.

Table 4: Performance Snapshot of the Insolvency and Bankruptcy Code (IBC) (as of mid-2025)

Indicator	Status	Challenge/Implication
Cases Admitted	> 8,500	Significant workload for NCLT, leading to delays.
Average Resolution Time	~670 days	Far exceeds the statutory limit of 330 days, causing value erosion.
Realisation for Creditors	~31% of admitted claims	Lower than initial expectations, indicates significant haircuts and value destruction due to delays.
Cases Ending in Liquidation	~50% of closed cases	A large proportion of firms are not being revived, pointing to delayed admission into the IBC process.

Source: Insolvency and Bankruptcy Board of India (IBBI)

THE FINANCIAL STABILITY ARCHITECTURE: MANAGING SYSTEMIC RISK

The global financial crisis of 2008 demonstrated that individual financial institutions can be sound, yet the system as a whole can be vulnerable to collapse due to interconnectedness and feedback loops. The Financial Stability and Development Council (FSDC) was established in 2010 as the apex body for managing such systemic risk. Chaired by the finance minister, it brings together the heads of all financial sector regulators (RBI, SEBI, IRDAI, PFRDA). However, its effectiveness has been questioned, with some viewing it as more of a discussion forum than an empowered decision-making body. New risks from the shadow banking sector (NBFCs), climate change, cybersecurity, and unregulated fintech players pose significant challenges that require a more proactive and empowered FSDC.

INSTITUTIONAL REFORM AGENDA (FINANCIAL STABILITY)

Empower the FSDC: The FSDC's institutional design needs to be strengthened. It should be transformed from a discussion forum into an empowered council with a dedicated, permanent secretariat and a clear mandate to issue binding directives or guidance to sectoral regulators on matters of systemic importance, especially in areas of regulatory arbitrage or emerging risks.

Build Capacity for New-Age Risks: The RBI, SEBI, and other regulators must urgently build dedicated institutional capacity to understand, model, and supervise emerging risks. This requires hiring and training specialists in areas like climate science, data analytics, and cybersecurity. A proactive approach to regulation, leveraging SupTech (Supervisory Technology) and RegTech (Regulatory Technology), is needed to keep pace with financial innovation.

INSTITUTIONAL FOUNDATIONS FOR INCLUSIVE & SUSTAINABLE GROWTH

The Viksit Bharat vision is explicitly about growth that is not just rapid, but also shared and sustainable. This is not a matter of choice but a prerequisite for the long-term social and political stability that underpins economic prosperity. This requires embedding the goals of equity and environmental stewardship into the very DNA of our economic institutions.

THE INCLUSION DEFICIT: SHARING PROSPERITY FOR A COHESIVE NATION

Despite impressive rates of aggregate economic growth over the last two decades, India continues to grapple with significant challenges of inequality and a lack of high-quality employment. This "inclusion deficit," where the benefits of growth are not broadly shared, is an institutional failure that risks undermining social cohesion and the long-term sustainability of the growth process itself.

Financial Inclusion: While the *Pradhan Mantri Jan Dhan Yojana* has been a remarkable success in opening bank accounts for hundreds of millions, "meaningful" financial inclusion goes far beyond this. The challenge is to move from access to accounts to genuine access to affordable credit for small businesses, insurance products that protect against shocks, and simple investment products that allow low-income households to build wealth. The rise of unregulated digital lending apps has also highlighted the urgent need for stronger institutional frameworks for consumer protection in the digital age.

The Employment Challenge: India faces the dual challenge of a "jobless growth" narrative and the dominance of low-productivity, informal employment. The institutional barriers to the growth of formal, labour-intensive manufacturing and services are significant. These include complex and archaic labor laws that disincentivise firms from hiring, regulatory cholesterol that makes it difficult for small firms to grow, and a skills gap where the education system does not produce graduates with the skills required by the modern economy.

INSTITUTIONAL REFORM AGENDA (INCLUSION)

Embed Equity in Fiscal Policy: Use the tax system to enhance equity by enacting a progressive Direct Tax Code. On the expenditure side, leverage technology (like the Direct Benefit Transfer system) to ensure social spending is sharply targeted, reduces leakages, and delivers measurable outcomes in health and education.

Drive "Meaningful" Financial Inclusion: The RBI must foster an institutional ecosystem that moves beyond bank accounts. This includes creating a robust regulatory framework for MSME finance, strengthening consumer protection laws for digital financial services, and promoting financial literacy on a national scale.

Table 5: Selected Indicators of the Inclusion Challenge in India (2025)

Indicator	Status/Figure	Implication	Sources
Wealth Share of Top 1%	~40%	High concentration of wealth, limiting broad-based prosperity and opportunity	World Inequality Lab
Gini Coefficient (Consumption)	~0.36	Indicates significant consumption inequality, though this is lower than wealth inequality	World Bank
Female Labor Force Participation	~37%	A massive pool of human talent remains severely underutilized.	Periodic Labour Force Survey
Formal Sector Employment	~15-20% of workforce	The vast majority of workers lack job security, social benefits and legal protection.	World Bank/ PLFS

Source: Author's compilation based on World Inequality Lab, PLFS, and World Bank data.

Establish a National Mission for Quality Employment: Create a high-level National Jobs Council, with representation from industry, academia, and government, to coordinate a whole-of-government approach to employment generation. Its mandate would be to dismantle regulatory barriers hindering the growth of labour-intensive formal-sector firms, drive comprehensive labor law reform, and align the national skill development mission with the needs of industry.

THE CLIMATE GOVERNANCE CHALLENGE: ENSURING A SUSTAINABLE FUTURE

Meeting India's ambitious climate goals—its Nationally Determined Contributions (NDCs) under the Paris Agreement—is not just an environmental imperative but also a massive economic opportunity. However, it requires a robust institutional framework to mobilize finance, manage risks, and ensure that the transition to a green economy is just and equitable.

The Green Finance Gap: The transition to a net-zero economy will require trillions of dollars in investment. Public finances alone cannot meet this need. A major institutional challenge is to create a policy and regulatory environment that can de-risk green projects and mobilize private and international capital at scale.

Climate Risk in the Financial System: Climate change poses a direct threat to financial stability. Physical risks (from floods, droughts, etc.) can lead to loan defaults and destroy collateral value. Transition risks (from the shift away from a carbon-intensive economy) can strand assets in sectors like coal and thermal power. India's financial regulators are only just beginning to build the institutional capacity to measure, manage, and mandate disclosure of these risks.

Ensuring a Just Transition: The shift away from coal, which currently provides the bulk of India's energy and employs millions in specific geographic clusters, will have significant social and economic consequences. Without a well-designed institutional framework to manage this transition, it could lead to widespread job losses and social unrest, creating a political backlash against climate action.

INSTITUTIONAL REFORM AGENDA (SUSTAINABILITY)

Establish a National Climate Finance Authority: Create a dedicated, high-powered institution to act as the nodal agency for climate finance. Its role would be to strategize, coordinate across ministries, and de-risk investments through mechanisms like blended finance, credit guarantees, and first-loss facilities to mobilize the trillions of dollars in green finance needed.

Integrate Climate Risk into Financial Regulation: The RBI, SEBI, and IRDAI must build the institutional capacity to mandate and supervise the disclosure and management of climate-related financial risks by all regulated entities, in line with global standards like the Task Force on Climate-related Financial Disclosures (TCFD).

Institutionalize a Carbon Pricing Mechanism: Establish a clear institutional roadmap for a nationwide carbon pricing mechanism. A phased-in carbon tax, starting with key industrial sectors where emissions are easy to measure, may be a more administratively feasible starting point for India than a complex, full-fledged Emissions Trading System (ETS). The revenue generated could be recycled to fund green investments or compensate vulnerable households.

Design and Fund a Just Transition Framework: Create a formal Just Transition Commission with a dedicated fund. Its mandate would be to work with state governments to design and fund programs for skill development, economic diversification, and social protection in regions and communities that are heavily dependent on the coal economy.

SYNTHESIS AND AN INTEGRATED REFORM AGENDA

The path to Viksit Bharat is contingent on a paradigm shift—from a focus on discrete policies to the systemic strengthening of the institutions that formulate, implement, and sustain them. The analysis in this paper reveals interconnected institutional deficits across the fiscal, monetary, and social domains. Overcoming them requires a holistic, sequenced, and politically astute reform strategy, built on four reinforcing pillars for building the Resilient, Agile, Accountable, and Inclusive (RAAI) institutions needed for 2047.

ACCOUNTABLE FISCAL FOUNDATIONS

The aspiration of 'Viksit Bharat @ 2047' demands a profound shift from routine policy management to the courageous and sustained task of architecting the institutional bedrock of India's economy. This is the defining strategic imperative. The future of 1.4 billion citizens will be shaped by success in this endeavour. The responsibility of the Ministry of Finance (MoF) transcends balancing annual budgets. It is to build the enduring fiscal institutions that underpin national prosperity, equity, and resilience. This demands: (a) Championing Fiscal Credibility as a National Asset by moving decisively to establish and empower an independent, statutory Fiscal Council, (b) Building a Modern, Equitable, and Citizen-Friendly Revenue System by spearheading "GST 2.0" and leading the charge for a modern Direct Tax Code, (c) Ensuring Every Rupee Delivers Transformative Value by institutionalizing rigorous, outcome-oriented Public Financial Management (PFM) systems and (d) Catalysing Empowered Federalism by proactively leading the financial and institutional empowerment of India's states and, critically, its cities.

RESILIENT MONETARY & FINANCIAL CORE

The Reserve Bank of India (RBI) is the guardian of stability and enabler of growth. Its mandate should be to maintain stability, support growth, and govern the financial system, which places the RBI at the very heart of the Viksit Bharat mission. This requires (a) Steadfastly Safeguarding Monetary Policy Credibility by defending the hard-won credibility of the inflation-targeting framework through an unwavering commitment to the RBI's de facto operational independence, (b) Building Proactive Regulatory Capacity for a Complex Future by augmenting the RBI's supervisory capacity and technological sophistication (SupTech) to mitigate emerging systemic risks from Fintech, climate change, and global spillovers, and (c) Deepening Monetary Transmission and Driving Inclusive Finance by championing the institutional reforms needed to ensure the RBI's policy actions translate effectively and by driving an agenda for genuine financial inclusion. The shared imperative of championing these institutional reforms is its primary, urgent, and indispensable responsibility.

AGILE INSTITUTIONS FOR INCLUSIVE & SUSTAINABLE FUTURE

Create the National Climate Finance Authority (NCFA): An Actionable Blueprint: The National Climate Finance Authority (NCFA) is the most crucial institutional reform needed to realize India's *Panchamrit* goals⁵ and secure its status as a high-income nation by 2047. The NCFA will be established via a dedicated Act of Parliament, granting it legal authority and financial autonomy to mobilize the colossal \$2.5+ trillion investment required. Its strategic mandate is institutionalized by a Governing Council, chaired by the Union Finance Minister (MoF) and including the RBI Governor, SEBI Chairperson, and CEO of NITI Aayog. This structure ensures that climate finance is immediately integrated into the nation's core economic, monetary, and planning policy, enabling the NCFA to issue binding guidance across the financial system.

Strategic Financial Mobilization and De-Risking: The NCFA's core function is to transform climate targets into a transparent, bankable portfolio, radically lowering the cost of capital for green investments. NITI Aayog will leverage its expertise as the national planning body to collaborate with the NCFA in developing the National Climate Investment Roadmap (NCIR). This detailed, sector- and state-specific document converts the national investment requirement into clear, investable pipelines. To de-risk capital, the NCFA will establish and manage the National Climate Risk Mitigation Fund (NCRMF). The MoF provides the fiscal backing and policy support for this fund, ensuring it can effectively deploy Blended Finance tools like first-loss guarantees and credit guarantees for high-risk, high-potential areas such as green hydrogen and climate-resilient agriculture. Furthermore, the MoF is the coordinating agency for the large-scale, efficient issuance of Sovereign Green and Transition Bonds, aligning national debt instruments with the NCIR's foundational infrastructure goals.

Standardization, Transparency, and Regulatory Alignment: The NCFA takes charge of Standardization and Transparency by defining and enforcing the unified "India Green Taxonomy." This is a critical regulatory action jointly mandated and enforced by the MoEFCC (for environmental integrity) and SEBI (for capital markets). The taxonomy will include a "Transition Taxonomy," providing clear, science-based pathways for hard-to-abate sectors (steel, cement) to decarbonize, unlocking their massive capital pools. In parallel, the NCFA will work with SEBI and RBI to enforce mandatory, TCFD-aligned climate-related financial disclosures for all major companies and financial institutions. The RBI must ensure that banks and Non-Banking Financial Companies

⁵ The *Panchamrit* goals are five elements of India's climate action, presented at COP 26 in 2022. For more details, see <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1795071>

(NBFCs) integrate these disclosures into risk assessment and lending decisions, thereby penalizing brown assets and steering capital market alignment for Viksit Bharat.

Just Transition and Decentralized Execution: The NCFA champions equity through the Just Transition Framework (JTF), making climate action a vehicle for Inclusive Growth and social stability. The MoF will sanction the creation and corpus of the National Just Transition Fund (NJTF), which the NCFA will manage. Crucially, the NJTF's concessional finance disbursement will be strictly conditional on State Governments adopting rigorous Social Impact and Livelihood Metrics developed by the NCFA, ensuring accountability for worker reskilling and economic diversification in coal-dependent regions. To facilitate asset conversion, the NCFA will coordinate with the Ministry of Coal/Power to establish a "Clean Energy Land Bank" from retired fossil fuel assets, with the MoEFCC providing regulatory fast-tracking to repurpose this land for renewable energy projects and high-value manufacturing clusters.

The success of the NCFA rests on robust decentralization. It will mandate and co-fund the creation of expert State Climate Finance Cells (SCFCs) within State Planning Departments, ensuring State governments are empowered as primary agents. These SCFCs will integrate climate action into local budgets through Climate Budget Tagging. The NCFA will support this structure by housing a central Project Preparation Facility (PPF), which provides sustained "handholding" to convert local adaptation needs (e.g., resilient urban drainage, decentralized solar micro-grids) into bankable, investment-ready projects, solving the critical 'pipeline problem' and ensuring the financial architecture benefits every part of India.

Establish a National Jobs Council: A Policy Roadmap: Jobs, Inclusion, and Just Transition for a High-Income India: The National Jobs Council (NJC) must be established as an agile, high-level institutional body mandated to align skills with high-growth, quality job demand. This institution will be anchored under the direct strategic supervision of NITI Aayog's Governing Council, ensuring its labour roadmap is fully integrated with the overall Viksit Bharat economic targets for manufacturing, services, and green infrastructure. The NJC's institutional design is built on the National Skills and Jobs Observatory, which uses big data and AI-driven enterprise surveys to provide real-time, granular forecasts of future job demand in green sectors (e.g., green hydrogen maintenance), the care economy, and advanced logistics. This critical data will be binding on training providers and will immediately feed into the Skill India Digital Hub platforms, ensuring every training program is directly linked to verifiable market demand, thereby ending the supply-demand mismatch in skills.

To institutionalize Public-Private Co-Investment, the NJC must execute a massive reform of the apprenticeship system. It will mandate that all large enterprises receiving government support, such as under the Production-Linked Incentive (PLI) scheme, meet specific apprentice-to-employee ratio targets, providing tax incentives tied to the formal placement of these apprentices. Crucially, the Ministry of Finance (MoF) will ensure that all PLI benefits are conditional on meeting stringent job quality metrics, including social security enrolment and formal employment contracts. Furthermore, to address the persistent issue of low female labour force participation, the NJC will lead the policy mandate to declare childcare and elderly care infrastructure a National Infrastructure Priority, facilitating long-term private investment and simultaneously creating millions of stable, new jobs, a direct commitment to the "*Nari Shakti*" pillar of Viksit Bharat.

Driving Meaningful Financial Inclusion: Access to Opportunity: To move beyond the basic 'access' achieved by the JAM Trinity, the next stage of financial inclusion must focus on providing credit, insurance, and resilience tools to the underserved. This effort is spearheaded by the Reserve Bank of India (RBI), leveraging the Digital Public Infrastructure (DPI) to deepen capital access. The RBI must issue clear regulatory mandates to push the democratization of lending for Micro, Small, and Medium Enterprises (MSMEs) and the informal sector via

the Open Credit Enablement Network (OCEN). This involves institutionalizing the acceptance of alternative data—such as UPI transaction history, utility payments, and digital GST records—as valid collateral by all formal financial institutions, thereby breaking the reliance on traditional property-based security and unlocking “last-mile capital.” The RBI will also establish new Priority Sector Lending (PSL) sub-targets specifically for digital credit granted using these alternative data sources.

To build Household and Enterprise Resilience, financial inclusion must prioritize social security. The MoF, in partnership with the insurance regulator, must aggressively drive the adoption of life, health, and crop insurance using the digital payment network (UPI) for micro-premiums, essential for protecting the base of the economy from increasing climate shocks. The National Centre for Financial Education (NCFE), coordinated with State Governments, must embed context-specific financial literacy curricula into state-level skilling and university programs. This ensures that every citizen is empowered to use the digital financial ecosystem safely and productively, transforming financial access into genuine economic well-being, a core social objective of Viksit Bharat.

Institutionalize a Just Transition Framework (JTF): The Foundation of Equity: The Just Transition Framework (JTF) is the institutional mechanism that ensures the Sustainability goals of Viksit Bharat are achieved without sacrificing social equity or regional stability, particularly in coal-dependent states. This framework is characterized by integrated planning, strategic financing, and robust social safety nets.

A. Integrated Planning and Approval: The JTF will be institutionalized by a central mandate requiring all high-dependency states (e.g., Jharkhand, Chhattisgarh, Odisha) to develop State-Specific Just Transition Roadmaps. These must be co-created through tripartite social dialogue involving state governments, local industry, and labour unions. NITI Aayog will house the official repository of these Roadmaps and, in coordination with the National Climate Finance Authority (NCFA), will make all funding and project approvals conditional on adherence to the roadmap’s social and economic diversification targets.

B. Funding and Asset Repurposing: The JTF will be financed by the National Just Transition Fund (NJTF), managed by the NCFA, which provides concessional capital for local diversification and social support. The MoF will ensure the NJTF receives a sustained revenue stream, possibly through a portion of carbon revenues. Crucially, the framework requires the Ministry of Power and the Ministry of Coal to establish a “Clean Energy Land Bank” from closed mining and power plant sites. The MoEFCC will provide fast-track environmental and regulatory approvals to facilitate the immediate repurposing of this land for solar, wind, and industrial parks, providing financial incentives from the NJTF to ensure the replacement of old jobs with new green jobs in the same region.

C. Workforce and Social Safety Nets: The framework mandates that the early reskilling and upskilling programs be initiated through the Sector Skill Council for Green Jobs at least three years before any anticipated closure, aligning the outgoing workforce with the NJC’s job forecasts. To uphold the social compact of Viksit Bharat, the JTF will enforce minimum national standards for social safety nets and pension portability for transitioning workers, ensuring economic dignity and mitigating the social risks that could otherwise undermine the entire transition agenda.

FOUNDATIONAL GOVERNANCE MACHINERY

The ultimate keystone for all other reforms is a high-capacity state, underpinned by a modern civil service and credible data.

The Civil Service Reform Imperative ("Karmayogi 2.0"): The Indian civil service, the "steel frame" of the state, needs deep reform to become fit-for-purpose for the 21st century. Mission *Karmayogi*, the National Programme for Civil Services Capacity Building, is a promising start, but it must be deepened. The current system, which often prioritizes seniority and generalist skills, needs to be reoriented. This requires creating pathways for specialization in areas like public finance, urban planning, and technology regulation. It means making lateral entry of domain experts at senior levels a norm rather than an exception. It involves implementing robust, 360-degree performance management systems and decisively delinking seniority from promotion.

Table 6: An Integrated Macro-Institutional Reform Agenda for Viksit Bharat

Pillar	Keystone Reform	Supporting Reforms	Key Institutions	Viksit Bharat Goal
Accountable Fiscal Foundations	Establish a statutory, independent Fiscal Council.	Simplify GST & enact a new DTC. Institutionalize outcome-based budgeting. Empower Urban Local Bodies.	MoF, Parliament, GST Council, State governments	Macroeconomic Stability, State Capacity, Infrastructure.
Resilient Monetary & Financial Core	Safeguard the RBI's de facto operational independence.	Overhaul PSB governance. Strengthen the IBC ecosystem. Empower the FSDC for systemic risk.	RBI, MoF, Parliament, NCLT.	Low Inflation, Financial Stability, Efficient Credit Allocation.
Agile Institutions for Inclusive & Sustainable Future	Create a National Climate Finance Authority.	Establish a National Jobs Council. Drive meaningful financial inclusion. Institutionalize a Just Transition framework.	MoF, MoEFCC, NITI Aayog, RBI, State governments	Inclusive Growth, Sustainability, Job Creation.
Foundational Governance Machinery	Launch "Karmayogi 2.0" for deep Civil Service reform.	Empower a statutory National Statistical Commission. Strategically leverage technology (GovTech, RegTech).	DoPT, MoSPI, MeitY, All Ministries.	Enhanced State Capacity, Evidence-based Policy, Trust.

The Data Integrity Imperative: A cross-cutting foundation for all other reforms is the availability of credible, timely, and trusted data. Data is a public good and the bedrock of evidence-based policymaking. However, the credibility of India's official statistics has faced questions in recent years, leading to public debate over GDP, employment, and consumption data. To restore and enhance public trust, it is imperative to empower the National Statistical Commission (NSC). This requires a constitutional or statutory amendment to transform it from an advisory body into a truly independent authority with legal powers, control over its own budget, and a clear mandate to set, audit, maintain, and enforce standards for all official statistics produced by the government. This would bring India in line with international best practices (such as Statistics Canada

or the UK Statistics Authority) and ensure that institutions like the MoF and RBI, as well as investors and citizens, are operating with a shared, unimpeachable set of facts.

NAVIGATING THE POLITICAL ECONOMY OF REFORM

Proposing this ambitious agenda is straightforward; implementing it is profoundly challenging. Each proposed reform will encounter resistance from entrenched vested interests who benefit from the status quo. Therefore, a purely technocratic approach is doomed to fail. Success requires a politically astute strategy that involves:

Strategic Sequencing: The reform journey is a marathon, not a sprint. It is crucial to prioritize and sequence reforms to build momentum. "First-stage" reforms should focus on building institutional capital and creating constituencies for change. For instance, establishing institutions that enhance transparency (like a Fiscal Council) can build public trust and create demand for further reforms in expenditure quality. Early successes in areas like simplifying tax compliance can build goodwill for more difficult, structural changes like eliminating exemptions.

Building Coalitions: No major institutional reform can be pushed through by a small group of technocrats alone. It requires building broad coalitions of support. This involves clearly and persistently communicating the long-term benefits of reform to the wider public, media, academia, and the business community. It also involves identifying and empowering the "winners" from reform to create a countervailing force against the vested interests who stand to lose. For example, a coalition of export-oriented firms and consumer groups can be a powerful advocate for a simpler GST.

Managing Trade-offs and Creating Compensatory Mechanisms: Many reforms involve short-term costs for long-term gains. The political process often prioritizes the former. Therefore, successful reform design must anticipate and manage these trade-offs. For example, a "just transition" framework with dedicated funding is not an optional extra but an essential political component of any serious climate action plan. Similarly, subsidy reform on fertilizers or food must be accompanied by strengthened, well-targeted social safety nets to protect the vulnerable, as this is both morally right and politically necessary.

Adaptive Implementation: The design of new institutions should not be set in stone. The world is complex and uncertain. It is vital to create feedback loops for continuous learning and adaptation. This means building robust monitoring and evaluation systems into the institutional DNA from the outset, allowing for course correction based on evidence of what is working and what is not.

CONCLUSION: THE DEFINING IMPERATIVE OF OUR TIME

The vision of *Viksit Bharat* is ambitious, but it is achievable. It requires high growth, but also stability. It demands prosperity, but also equity and sustainability. These are not competing objectives; they are mutually reinforcing outcomes that can only be delivered by high-quality institutions.

The traditional focus on policy alone, on finding the next "silver bullet" reform, is insufficient for the complex challenges and historic opportunities of the 21st century. The deep, systemic, and often difficult work of institutional reform is no longer a choice but a necessity. The four-pillar RAI agenda outlined in this paper—architecting accountable fiscal foundations, forging a resilient financial core, building agile institutions for an inclusive and sustainable future, and strengthening the foundational governance machinery—provides an integrated, actionable blueprint.

This is the defining economic and governance imperative of our time. It requires political will, sustained consensus-building, and a long-term strategic vision that looks beyond the next election cycle. Building the robust, adaptive, and trustworthy institutional engine outlined in this paper is the most critical investment India can make in its future—the foundational task for securing prosperity and opportunity for all 1.4 billion of its people on the journey to 2047.

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