

Structural Reforms in India in 2025: A Policy Landscape and Economic Impact Analysis

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Abstract: *The year 2025 marked a pivotal phase in India's structural reform journey as the government implemented far-reaching reforms to deregulate key sectors, modernise tax regimes, optimise labour markets, and enhance economic governance. This conceptual paper examines the major structural reforms introduced during 2025, evaluates their economic rationale, and analyses their potential impact on growth, employment, and ease of doing business. Drawing on government policy updates, legislative changes, and economic data, the study highlights the strategic shift toward simplification, formalisation, and long-term growth orientation. The paper concludes with policy implications and prospective research directions.*

Keywords: Ease of doing business, Economic governance, GST 2.0, Labour reform, Structural reforms.

1. Introduction

Structural reforms are fundamental changes in policy and institutional frameworks aimed at improving long-term economic performance. In 2025, the Government of India pursued a comprehensive reform strategy across taxation, labour markets, regulatory frameworks, and rural employment programmes to strengthen growth prospects and improve business and investment environments. These reforms are aligned with broader goals such as achieving high-income status and modernising the economy in the run-up to Viksit Bharat 2047.

2. Literature Review

Previous research underscores the importance of structural reforms in boosting productivity, employment, and private investment. According to the World Bank, accelerated reforms are necessary for India to achieve high-income status by transforming employment structures, expanding trade participation, and promoting technology adoption.

Empirical studies also show that deregulatory policies and labour market flexibility are positively correlated

with formal sector growth and investment inflows, highlighting the macroeconomic significance of structural reform agendas.

3. Methodology

This paper uses secondary data from government releases, mainstream economic reporting, and policy analyses to identify and evaluate reforms introduced in 2025. Primary analytical tools include:

- Descriptive policy analysis
- Comparative assessment against previous legal frameworks
- Impact inference based on economic indicators

4. Structural Reforms in 2025

4.1 Tax Regime Overhaul

Table 1 — Tax Regime Overhaul: Key Policy Changes and Outcomes (2025)

Policy Element	Reform Details	Impact/Indicator
GST 2.0 Implementation Date	22 September 2025	New GST rate structure introduced
GST Rate Structure (2025)	5%, 18%, and 40% (sin goods)	Replacement of 5%, 12%, 18%, and 28% slabs
GST on Essentials	Food, daily use goods, medicines	Many moved to 5% or Nil
Corporate/Business Indicators	Growth in e-commerce trade	+22% growth post-GST 2.0 rollout
GST Revenue (Apr 2025)	Revenue collection	₹2.37 lakh crore record high
Average GST Monthly Collection	FY 2025–26	~₹1.9 lakh crore
Personal Income Tax Exemption	No tax up to ₹12 lakh	Increased disposable income
Income Tax Slab Revisions	5–30% across income brackets	Progressive structure simplified

Source: The Economic Times

The year 2025 saw foundational reforms in India’s taxation framework:

- Income Tax Act, 2025: Replaced the Income Tax Act of 1961 with a simplified, consolidated, and technology-driven legal framework designed to reduce litigation and improve compliance.
- GST 2.0: The indirect tax system was rationalised to two main rate slabs—5% and 18%—with a higher 40% slab for select goods, simplifying compliance and reducing classification disputes.
- Middle-income households (earning up to ₹12 lakh annually) received full income tax rebates under the revised regime, improving disposable incomes and consumption capacity.

Table-2 — GST Rate Structure Before vs After GST 2.0 (2025)

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GST Slab Category	GST Structure Before (Pre-Sep 2025)	GST Structure After (Sep 2025)
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Source: The Economic Times

4.2 Labour Market Reform

One of the most significant structural reforms of 2025 was the implementation of the consolidated labour codes, which replaced 29 fragmented labour laws with four streamlined codes to balance worker protection with business flexibility. Reforms focused on:

- Fair wages,
- Smoother industrial relations,
- Expanded social security, and
- Improved workplace safety for a workforce of over 64 crore individuals.

This reform is expected to encourage formalisation, stimulate job creation, and make India more attractive for investment in labour-intensive sectors.

Table 3 — Labour Market Reform: Key Features and Coverage (2025)

Reform Dimension	Details	Expected Impact
Date of Implementation	21 November 2025	New labour framework enacted
Consolidation	29 previous laws → 4 Labour Codes	Simplified legal structure
Codes Covered	Wages, Industrial Relations, Social Security, Safety & Health	Unified compliance and governance
Formalisation	Written contracts mandatory	Reduces informal work ambiguity
Minimum Wage	Statutory minimum wage introduced	Wage fairness across states
Gig Workers	Legal recognition + welfare funds (1–2% turnover)	Coverage for informal and platform workers
Employment Flexibility	Shift from 100 → 299 employees for layoff approvals	Higher flexibility for firms
Social Security Expansion	Coverage for gig and unorganised sectors	Broader safety net

Source: The Economic Times/ ETGovernment.com

4.3 Legal and Regulatory Simplification

The Bharatiya Nyaya Sanhita (BNS) fully came into force in 2025, replacing the colonial-era Indian Penal Code of 1860. This overhaul modernised criminal law to address contemporary challenges such as cybercrime and economic offences, and institutionalised digital evidence procedures, thereby improving the legal environment for business and digital transactions.

4.4 Rural Employment and Social Security Reforms

The Viksit Bharat–G RAM G Act, 2025 raised rural employment guarantee days from 100 to 125 per year, linking work guarantees with local infrastructure creation and household income enhancement.

4.5 MSME, Insurance, and FDI Reforms

In 2025, the government:

- Revamped MSME classifications, raising investment and turnover thresholds to encourage scaling, and
- Permitted 100% foreign direct investment (FDI) in the insurance sector to deepen market penetration and competition.

These reforms are expected to strengthen small enterprise viability and attract long-term capital.

5. Economic Indicators and Early Outcomes

5.1 GDP Growth and Investor Confidence

India's macroeconomic momentum remained strong, with GDP growth reaching an estimated 8.2% in 2025—attributed partly to the impact of reforms on investment and demand.

In 2025, S&P Global upgraded India's sovereign credit rating from 'BBB-' to 'BBB', reflecting improved fiscal management, inflation control, and structural policy credibility.

5.2 Ease of Doing Business and Compliance

The repeal of Quality Control Orders (QCOs) across multiple sectors and the removal of outdated regulations under Jan Vishwas reforms improved regulatory clarity and reduced bureaucratic barriers.

5.3 Regional and State Level Reforms

States such as Uttar Pradesh topped the Compliance Reduction Index by implementing phase-wise reforms aimed at reducing permissions and inspections, digitising approvals, and improving business services.

6. Discussion

Structural reforms in 2025 were broad in scope and ambitious in scale. Key themes include:

- Simplification: Tax, labour, and legal systems became more straightforward and transparent.
- Inclusiveness: Rural and MSME sectors received targeted policy support.
- Competitiveness: Deregulation and FDI liberalisation enhanced investor appeal.

However, implementation challenges persist, including the need for capacity building, digital infrastructure, and ensuring social protections during transition phases.

7. Policy Implications

The reforms of 2025 set the stage for:

- Enhanced investment inflows
- Job creation in formal sectors
- Higher compliance and revenue buoyancy
- Improved global competitiveness

Going forward, consistent monitoring and agile policy adjustments will be crucial to sustain momentum.

8. Conclusion

The year 2025 was a watershed period for structural reform in India, characterised by comprehensive policy overhauls that enhance efficiency, competitiveness, and equity. These reforms align with long-term national objectives such as creating a resilient growth framework and progressing towards high-income status. The evolving economic architecture positions India to leverage demographic advantages, technological adoption, and global integration over the next decade.

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