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India's Economy to Hit and to Become USD 10 Trillion by 2030

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Abstract: ***India is currently a $ 3.1 trillion economy. It took India 60 years since Independence to become one trillion-dollar economy, but the next trillion dollars was added only in 7 years. The 3rd trillion was added in just 5 years in 2019. The growing momentum could see India add on average 1 trillion dollar to its economy every two years for the next 14-15 years. According to the report of the Centre for Economics and Business Research (CEBR), India will become a $ ten trillion economy by 2035. India's aim to grow into a $10-trillion economy over the next decade will be fuelled by manufacturing in sunrise sectors such as semiconductors, electronics manufacturing, electric vehicles ecosystem, renewable energy and defence, according to a report by Boston Consulting Group and Matrix Partners.***
Keywords: GST, NIP, WEF, SDG, GDP

I. INTRODUCTION

Pierre-Olivier Gourinchas, chief economist of the IMF recently pointed out that India has emerged as "a bright light" at a time when the world is facing imminent prospects of a recession. This optimism is a result of certain fundamentals that have allowed India the scope for high growth in coming years. Reforms taken up in 1991 have been furthered with structural reforms such as introduction of Goods and Service Tax (GST) and Insolvency and Bankruptcy code. Decriminalization of laws, simplification of compliances has enabled ease of doing business which has shown result as every year India is accounting higher FDI inflows. India recorded the "highest ever" annual FDI inflow of $83.57 billion in 2021-22

According to UNCTAD, digital economy's prime value lies in creation of new economic opportunities for masses by facilitating transactions and networking. Post pandemic world economy will be particularly dependent on digitization of value chains and India's digital trajectory places it at a favourable position in shifting global supply chains. In the current decade India will benefit from major global investments going into technology domain. These technologies have the potential to create millions of well-paying, productive jobs and helping millions of Indians to enjoy a decent standard of living. As the per capita incomes grow with the GDP, it will cross the $3000+ threshold, which is seen as a consumption inflexion point.

India has emerged as the third-largest start-up ecosystem in the world with more than 84,400 such businesses operating across 656 districts in the country. Entrepreneurs boost economic growth by introducing innovative technologies, products, and services. The ecosystem has potential to unlock tremendous appetite for scalability, alternate funding options, expansion into the global market and the capacity to enable millions of jobs. The Government with an intent to build a strong ecosystem for nurturing innovation and startups in the country launched Startup India initiative in 2016.

Pro-active policy stance from the government could allow India to gain 'first and fast mover' advantage in many of the emerging technologies and sectors. A Bloomberg report recently predicted that hydrogen could meet up to 24 per cent of the world's energy needs by 2050, creating a market worth $ 600 billion. National Hydrogen Mission is expected to incentivize various approaches which can help India become a sizeable player in green energy.

India is expected to get a structural push to manufacturing coming from corporate sector's strategy of diversifying the supply chain and not depend on a single country. The government has introduced PLI schemes to kick start Indian manufacturing in over 14 sectors. Further, investment in infrastructure development through National Infrastructure Pipeline (NIP) will help reduce logistics cost and improve India's competitiveness. The recent FTA agreements with Australia, UAE will help expand the markets even as India partners with likeminded countries in forums like I2U2. To move up the value stack and become a large manufacturing base, India is investing in its human resource especially in time of changing needs and environments. It is also ensuring that the external environment is conducive for its growth and its economy is cushioned as much as possible from external shocks such as the recent pandemic and geopolitical conflict. As India takes up G20 Presidency, it offers India a great opportunity to showcase its strength to the world and further the momentum towards the goal of 10 trillion-dollar economy [1].

The term 'Viksit Bharat' means 'Developed India'. Viksit Bharat 2047 represents the government's vision to transform the county into a developed entity by its 100th independence in 2047. The four pillars of Viksit Bharat are Yuva (Youth), Garib (Poor), Mahilayen (Women) and Annadata (Farmers).

The Finance Minister made the following announcements the Budget 2024 to achieve the goal of Viksit Bharat 2047:

The government will formulate a plan, Purvodaya, for the all-round development of the eastern region of India, covering Jharkhand, Bihar, Odisha, West Bengal and Andhra Pradesh. This will cover infrastructure, human resource development, and the generation of economic opportunities to make the region an engine to attain Viksit Bharat.

Nuclear energy is expected to be a very significant part of Viksit Bharat. Towards that pursuit, the government will partner with the private sector to set up Bharat Small Reactors, research and development of Bharat Small Modular Reactor, and research and development of newer technologies for nuclear energy [2].

World Economic Forum (WEF) President Borge Brende expressed optimism about India's economic growth, stating that the country is on track to become a USD 10 trillion economy in the coming years and secure the third-largest slot globally. Brende highlighted India's resilience amid a fragmented and polarized world, praising its economic reforms, digital competitiveness, and the ability to attract foreign direct investments [3].

India will need to grow at an average rate of 9 per cent to reach $10 trillion by 2030, assuming a stable exchange rate. For this to happen, the government will need to implement a new set of major reforms that will boost the manufacturing sector, cut red tape, loosen land acquisition rules, and reform civil services.

India stands at a crossroads. Its economy is roaring, poised to reach an ambitious $10 trillion mark by 2035, according to the Centre for Economics and Business Research. Even at the ongoing World Economic Forum in Davos, where global elites have gathered, India is making news.

At the high table of capitalism, India continues to make all the right notes, with India-themed pavilions in the majestic Alps and the WEF President, Borge Brende, predicting that in the coming decade, we could be speaking of a 10 trillion-dollar Indian economy [4].

However, the vision of growth as the sole parameter of development has been challenged globally for over half a century, with the challenge becoming more prominent recently with development being viewed through the Sustainable Development Goals' (SDG) lens. To a large extent, SDGs find a theoretical underpinning in Mohan Munasinghe's *sustainomics*, which talks of a transdisciplinary knowledge base combining economic, social and environmental goals. This also presents itself as reconciling between the irreconcilable trinity of equity, efficiency, and sustainability dimensions of development. Much in contrary to this global policy and academic thinking, the Indian "growth-fetishism" has led to a development paradigm that has often witnessed a compromise with the concerns of equity and distributive justice, apart from environmental sustainability. The sheer paucity of social security to provide a cushion during crisis was evidenced during the economic lockdown of 2020 in the wake of the COVID-19 pandemic, which clearly revealed the anguishes of the country's migrant labour, the micro and small enterprises, and the poor. It was apparent that the social cushioning to the poor and vulnerable has been, so far, provided by the market forces, thereby, highlighting the failure of policy-driven distribution and equity. The lockdown was tantamount to locking down of the organic market forces, thereby, leaving the informal labour force in the lurch. On the other hand, the SDG agenda rests largely on the four forces of capital, namely, human capital (SDGs 1 – 5), physical capital (SDGs 8 and 9), natural capital (SDGs 14 and 15) and social capital (SDGs 10 and 16). UNEP's publication on *Inclusive Wealth* talks of the changes in the social values of the three of these capital assets, namely, natural capital, human capital and produced or physical capital over the period from 1990 to 2014. As per this report, between 1990 and 2014, physical capital and health- and education-induced human capital grew at 3.8% and 2.1% per annum respectively globally—both at the cost of natural capital that declined at 0.7% per annum. The report infers that the decline of forests in India is creating pressure on its ability to develop sustainably. Though the "inclusive wealth" of India increased at barely 1.6% per annum during this period driven by growth in human and physical capital, there was a decline in per capita inclusive wealth from US$368 in 1990 to US$359 in 2014 (both at 2005 prices). If inclusive wealth is taken as the factor or fundamental basis for development, then such a decline raises serious questions on the sustainability of the development process. Such a lop-sided development trajectory cannot sustain India's path towards a US$10-trillion economy over the next 10-15 years. It needs a holistic approach [5].

II. RESULTS AND DISCUSSION

In early 2024, the Prime Minister is expected to unveil a road map to transform the country into a developed nation with a USD 30 trillion economy by the time it completes 100 years of Independence.

The Vision India@2047 plan, as it is officially named, has been in the works for nearly two years with officials across ministries brainstorming on how to take the country from its current level of development to where it aspires to be.

The NITI Aayog, in the process of giving this vision document a final shape, will soon run its central ideas and goals past top minds across sectors, including World Bank President Ajay Banga, Apple chief Tim Cook, as well as Indian industrialists and thought leaders, to finetune them and factor in any blind spots. Coming ahead of the Lok Sabha election, the plan may well be viewed as the government's policy playbook promise for prospective voters.

A. What is Vision India@2047?

1) The Project

a) Vision India@2047 is a project initiated by the NITI Aayog, the apex policy think tank of India, to create a blueprint for India's development in the next 25 years.

b) The project aims to make India a global leader in innovation and technology, a model of human development and social welfare, and a champion of environmental sustainability.

2) Objectives

a) Achieving a USD 30 trillion economy with a per-capita income of USD 18,000-20,000 and strong public finances and a robust financial sector.

b) Building world-class infrastructure and facilities in both rural and urban areas.

c) Eliminating unnecessary interference by the government in the lives of citizens and promoting digital economy and governance.

d) Developing 3-4 global champions in every sector by merger or restructuring and boosting indigenous industry and innovation.

e) Becoming self-reliant in defence and space sectors and enhancing India's role in the world.

f) Fostering green growth and climate action by increasing renewable energy capacity and reducing carbon emissions.

g) Empowering the youth with skills and education and creating more employment opportunities.

h) Partnering with foreign R&D organizations to build top 10 labs in the country and bringing at least 10 Indian institutions among the top 100 globally.

B. What is the Current Status and Future Prospects of the Indian Economy?

1) Current Status

India is currently estimated to be the fifth largest economy in Nominal terms and 3rd largest in PPP (Purchasing Power Parity) terms. By 2022, the size of Indian GDP had already become larger than the GDP of the UK and also France.

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GDP in $ tn	2022	2023
United States	25.5	27.9
China	17.9	17.7
Japan	4.2	4.4
Germany	4.1	4.2
India	3.4	3.7

2) *Future Prospects*

a) Several estimates show that India's GDP is expected to overtake Japan and Germany by 2030.

b) Ratings agency S&P estimates that India's nominal GDP will rise from USD 3.4 trillion in 2022 to USD 7.3 trillion by 2030.

c) This rapid pace of economic expansion would result in the size of the Indian GDP making India the second largest economy in the Asia-Pacific region.

d) The preliminary results from NITI Aayog's forecasting have predicted:

e) India's exports will be valued at USD 8.67 trillion in 2047 while its imports will be valued at USD 12.12 trillion.

f) India's average life expectancy will jump to 71.8 from 67.2 in 2021 and its literacy rate to 89.8% from 77.8% in 2021.

C. *What are the Factors that may Contribute to India's Economic Growth?*

1) Demographic Dividend: India has a large and young population that can provide a skilled and productive workforce for various sectors.

2) According to reports, India has a population of over 1.4 billion people, with more than 40% below the age of 25. This provides a huge demographic dividend for economic growth.

3) Growth of the Middle Class: India's middle class is projected to expand from about 50 million in 2023 to over 500 million by 2050, creating a huge domestic market and demand for goods and services.

4) Accelerated Digital Economy: India has been embracing digital transformation and innovation, especially in the areas of e-commerce, fintech, edtech, healthtech, and agritech.

5) These sectors have the potential to create new jobs, improve efficiency, and increase access to services.

6) Sustainability-Focused Economy: India has been investing in renewable energy, green infrastructure, and climate resilience, aiming to reduce its carbon footprint and enhance its environmental quality. These initiatives can also create new opportunities for growth and development.

D. *What are the Challenges before India's 30 tn Dollar Economy Vision?*

1) Middle Income Trap: There are apprehensions that while moving on its path to developed economy, the Indian economy will fall in Middle Income Trap. After reaching a per capita income of USD 5,000-6,000, it will not move fast.

2) According to the World Bank definition, the middle-income trap "refers to a situation whereby a middle-income country is failing to transition to a high-income economy due to rising costs and declining competitiveness".

3) Ageing Population: India's current population is around 1.4 billion, and is projected to peak at 1.64 billion in 2048, before declining to 1.45 billion by 2100.

4) This means that India will have to deal with the challenges of an ageing population, such as rising health care costs, pension liabilities, and labor shortages.

5) Maintaining Higher GDP Growth Rate: Though the Indian economy is growing at a very good rate of 8% but to achieve this goal, this growth rate might not be enough. India needs to grow at a very high and sustainable growth rate.

6) Moreover, various estimates show that the Indian Economy will grow at 7% for the next 10 years.

7) While the preliminary numbers provided by the Niti Aayog, estimates show that the economy will need to post an annual average economic growth of 9.2% between 2030-2040, 8.8% between 2040-2047 and 9% between 2030 to 2047.

8) The Rupee-Dollar Conundrum: India's GDP in dollar terms is also a function of the rupee-dollar exchange rate, which is influenced by various factors such as inflation, trade balance, capital flows, and monetary policy.

9) Geopolitics and regional integration: India faces a complex and dynamic geopolitical environment, with rising tensions with China, Pakistan, and other neighbors, and changing relations with the US, Russia, and other major powers.

10) Stagnated Agriculture and Manufacturing sectors: Improving the productivity and competitiveness of the agriculture sector, which employs more than half of the workforce but accounts for just 17% of the GDP, and revitalizing the stagnated manufacturing sector, which has maintained a 15% GDP share for decades, while simultaneously generating employment opportunities for the expanding population.

11) Lower Labor Force Participation: According to the latest Periodic Labour Force Survey (PLFS) Annual Report 2022-2023, India's labor force participation rate (LFPR) was 40.4% in 2022-2023, which is lower than the global average of 61.4%. Moreover, India's LFPR has been declining over the years, especially for women.

E. What More Needs to be Done?

1) Aim for Greater, Faster Divestitures: India has a large public sector that often suffers from inefficiencies, corruption, and losses. By divesting or privatizing some of these enterprises, India could raise funds, improve productivity, and attract foreign investment.
2) Boost the Middle Class: India's middle class is a key driver of consumption and growth, but it is also burdened by high taxes and low savings. By cutting tax rates or abolishing personal income tax and replacing it with a consumption tax, India could increase the disposable income and spending power of its middle class, while also simplifying the tax system and reducing evasion.
3) Increase Labor Force Participation: India needs to invest more in improving the quality and accessibility of education and skill development for its labor force.
4) Initiatives like New Education Policy and Skill India Mission are the right steps towards this.
5) Accelerate the Infrastructure Pipeline: India needs to invest heavily in its infrastructure, such as roads, railways, ports, airports, power, water, and sanitation, to improve connectivity, efficiency, and quality of life.
6) India has announced a Rs 100 lakh crore-plus National infrastructure pipeline, but it needs to speed up its execution and financing.
7) Build on Manufacturing Momentum: India has a huge opportunity to become a global manufacturing hub, especially in sectors such as electronics, textiles, pharmaceuticals, and defense. India has launched several initiatives, such as the production-linked incentive (PLI) scheme, to boost its manufacturing sector and create jobs.
8) India needs to further improve its ease of doing business, labor laws, and skill development to attract more domestic and foreign investment.
9) Boost Private Investment: India needs to attract more foreign direct investment and encourage domestic companies to invest in the economy. The government can incentivize private investment by offering support for infrastructure projects and manufacturing.
10) Implement Structural Reforms: India needs to undertake targeted reforms to raise productivity and competitiveness. McKinsey has identified six areas of targeted reform that can help raise productivity and competitiveness, including financial-sector reforms, urban planning, and e-commerce.
11) Increase Capital Accumulation: Investment as a proportion of GDP needs to increase to achieve the goal of becoming a USD 30 trillion economy. The government can play a key role in boosting investment by offering substantial support for infrastructure projects and by incentivizing manufacturing [6].

III. CONCLUSIONS

1) India's trajectory towards becoming a powerhouse economy is only possible by reconciling between the irreconcilable trinity of equity, efficiency and sustainability.
2) The vision of growth as the sole parameter of development has been challenged globally for over half a century, with the challenge becoming more prominent recently with development being viewed through the Sustainable Development Goals' (SDG) lens.
3) Today, India is the 5th largest with a GDP of $3.7 trillion (estimate FY24), despite the pandemic and despite inheriting an economy with macro imbalances and a broken financial sector, said the ministry's January 2024 review of the economy.

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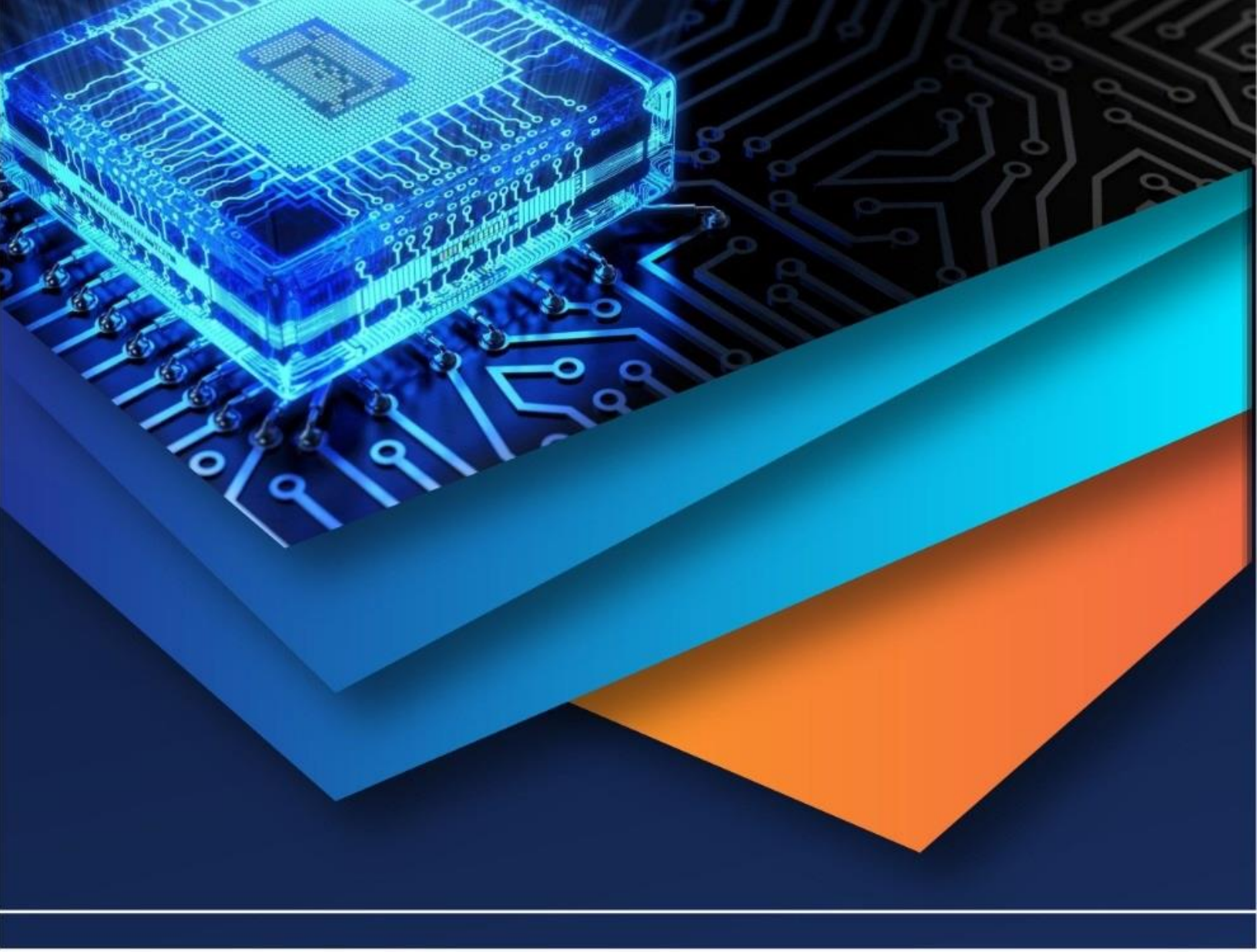

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