



India to become Fifth Largest Economy

A recent report has revealed that India will overtake the United Kingdom to become the world's fifth-biggest economy in 2019.

- India with Gross Domestic Product of **\$5.9 trillion** in **2025**, will become the world's **third-largest** economy (in terms of GDP) by surpassing **Japanese** GDP.
- The size of the **Indian consumer market** is forecasted to increase from \$1.9 trillion in 2019 to **\$3.6 trillion** by **2025**.
 - As the size of India's consumer market continues to grow at a rapid pace, India will also play an increasingly important role as one of the **Asia-Pacific region's** major economic growth engines.

Increased savings

Increased investment

Harod-Domar Model

Higher economic growth

Higher capital stock

Factors for Sustaining India's Economic Growth //

- **Investment:** is seen as a critical enabler for innovation, rapid **productivity growth**, and new **technology**, that in turn will help in increasing **jobs growth**.
 - [Economic Survey](#) highlights the importance of creating a favourable ecosystem for **private investment**.
 - Development of **startups** is a critical strategy for creating **value-added and skilled jobs growth**.
- **Savings:** level of savings equals the level of **investment**, as investment needs to be financed from saving so If people save more, it enables the banks to lend more to firms for investment.
- **Exports:** Exports plays an important role in influencing the level of **employment** and the **balance of payments** that in turn accelerates economic growth of the nation.

Challenges

- **Infrastructure:** India's total [population](#) between 2015 and 2050 is projected at around 350 million people, creating significant fiscal challenges in terms of adequate physical infrastructures for

delivering basic services like electricity, sanitation, affordable housing, and public transport.

- **Ageing:** a slowdown in India's population growth rate (in coming two decades) will result into the problem of [ageing](#) of the population that in turn will bring additional **fiscal challenges** relating to healthcare, pensions and social welfare for senior citizens.
- **Legal System:** based on the India's low ranking (163) in [World Bank's Ease of Doing Business Report](#) (in **contract enforcement**), the Economic Survey highlights the importance of reforms in the **legal system** and recommends the **hiring of additional judges** to rapidly reduce the number of **unfilled vacancies** and clear long **backlogs** in the court system.

PDF Reference URL: <https://www.drishtias.com/printpdf/india-to-become-fifth-largest-economy>

