



Samvaad: What will Drive a \$7 Trillion Economy

For prelims: [Exports](#), [Investment](#), [Environmental sustainability](#), [Inclusive growth](#), [infrastructure](#), [fiscal deficit](#), [Foreign reserves](#), [UPI \(Unified Payments Interface\)](#)

For mains: Significance of GDP growth and path to \$7 trillion economy

Why in News?

India's target is to expand its economy to **USD 7 trillion by 2030**, necessitating a strategic emphasis on **financial and banking sector reforms**.

- The factors that will drive India's growth towards a **\$7 trillion economy**, including **technology, finance, integration of domestic markets, and inclusive growth**.

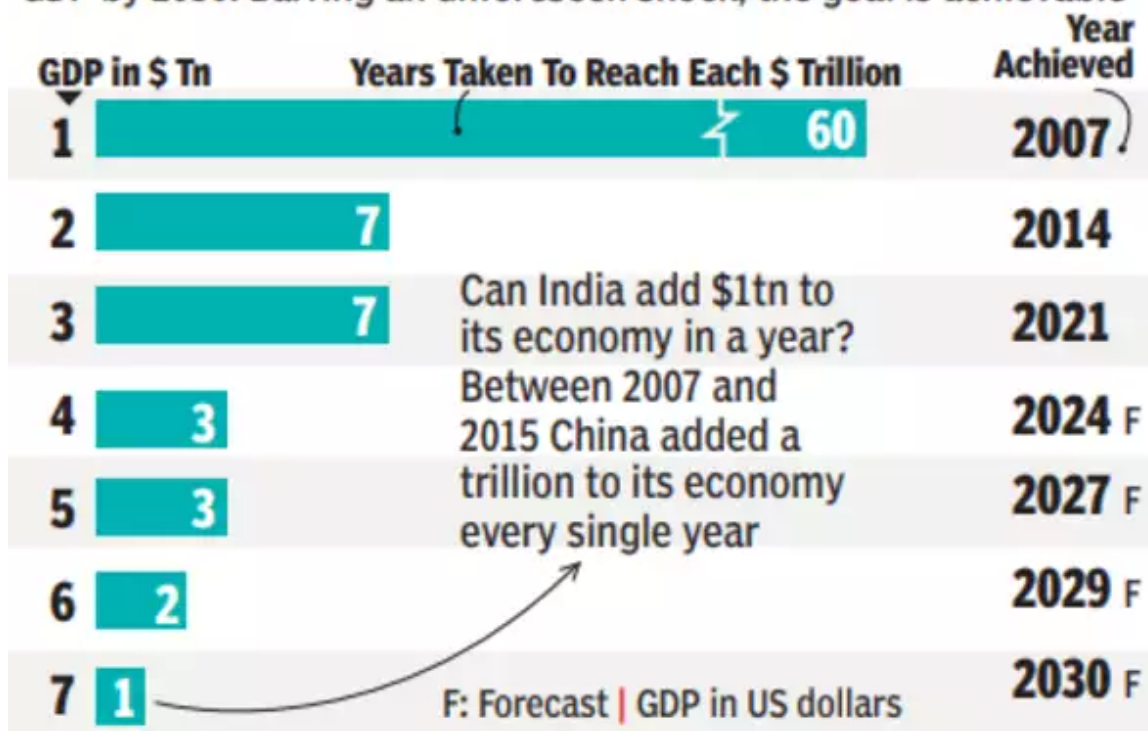
What are the Key Highlights?

- India's growth will be driven by factors such as [Exports](#), [Consumption](#), and [Investment in the short term](#).
- The quality of growth is important, focusing on [Environmental sustainability](#), [Inclusive growth](#), and [Spatial distribution between regions](#).
- Technology, particularly [Artificial Intelligence](#), will play a crucial role in accelerating development.
- Finance needs cautious [liberalization and integration](#) with global markets to support growth.
- Further integration of [Inclusive growth](#), **physical connectivity**, and [infrastructure](#) development are necessary for inclusive growth.
- India's GDP is set to double over the next seven years, aided by several inherent **demographic advantages** and policy-led changes.
- The demographic dividend of a young population combined with a large **middle class** has been amplified by a slew of structural reforms.
- Physical and digital infrastructure, clean energy transition and rapid financialization are paving the way for high, sustainable growth.
- The country's recent leapfrogging to a high level of digitization is already boosting productivity and efficiency in many ways.

//

60, 7, 3, 2 YRS...HOW INDIA'S JOURNEY TO EACH TRILLION KEEPS GETTING SHORTER

Govt's economic review released on Monday targets \$7 trillion GDP by 2030. Barring an unforeseen shock, the goal is achievable



- The Indian economy is projected to grow at **7.5 percent in 2024**, the World Bank has said, revising its earlier projections for the same period by 1.2 percent.
- The [World Bank](#) forecasts India's output growth to reach 7.5 percent in FY24, driven by resilient activity in services and industry. However, growth is expected to moderate to **6.6 percent** over the medium term.

What Does India's Medium-Term Outlook Growth Say?

- [World Bank](#) projects India's GDP growth to reach 7.5 percent in FY24 before moderating to 6.6 percent in FY25.
- The expected slowdown mainly reflects a deceleration in investment from its elevated pace in the previous year.
- Over the **medium term**, the [Fiscal deficit](#) and government debt in India are projected to decline, supported by robust output growth and consolidation efforts by the central government.
- **India's Recent Economic Performance**
 - India's economic activity in **2023 Q4 exceeded** expectations, with an 8.4 percent growth compared to the previous year, supported by increased investment and government consumption.
 - India's composite **purchasing managers index (PMI)** stood at 60.6, well above the global average of 52.1, indicating expansion.
 - Inflation has remained within the [Reserve Bank of India's \(RBI\)](#) target range, and financial conditions have remained accommodative.
 - **Domestic credit issuance** to the commercial sector grew by **14 percent** year-on-year (YoY) in 2023, with financial soundness indicators showing improvement. [Foreign reserves](#) increased by 8 percent in 2024.
 - **Demographic dividend**
 - India has now overtaken China to become the most populous country in the world

and is forecast **to add 97mn people** to its working population over the next 10 years

- As affluence has risen, India has also become home to the largest middle class in the world, now **estimated at 371mn**, which will continue to provide purchasing power from within.
- A number of reforms have also paved the way for women in rural areas to participate in economic activities rather than only do household-related activity – a major demographic change. **Electricity, cooking gas and clean water** has released many free hours in a day from the previous need to **fetch firewood and water**.
- **Policy-led transformation**
 - **Fingerprinting and iris scanning** a billion Indians for the unique national ID card (**Aadhaar**), linking it to the financially inclusive **low-cost bank account (Jan Dhan)** and connecting this to a mobile phone number for communication was only the beginning.
 - This so-called **JAM Trinity (Jan Dhan account, Aadhaar, Mobile)** has plugged subsidy leakage and through the **Direct Benefit Transfer** has helped millions
 - India is now **fully electrified** – only 20 years ago this figure was just 60%. Clean water in every house in every village is the latest initiative through the **Jal Jeevan Mission**. **56% coverage** has already been achieved, with a 2024 target for full coverage
 - The **Production Linked Incentive scheme** for manufacturing industry has incentivized new investments (largely export focused) across 14 sectors with an aim to create 6 million jobs
- **On the cusp of energy growth**
 - India has made remarkable progress in providing access to electricity and clean cooking methods for its citizens. Nearly **100% household** access to electricity was achieved in 2019. In parallel, the share of **biomass in energy** mix has declined by more than half.
 - In terms of **renewable energy targets**, India has become the only G20 nation to achieve its 2030 targets from COP21 – and no less than nine years ahead of schedule in 2021.
- **The digital revolution**
 - On **UMANG**, the Government's "super app", a massive 1,682 services across federal and state level are available to citizens.
 - Converted for minimizing litigations and improving ease of transfer. The latest initiative through the Ayushman Bharat Digital Mission is to integrate digital health infrastructure including personal health records.
 - The **UPI (Unified Payments Interface)** is probably the most successful digital payments
 - The latest initiative **ONDC (Open Network for Digital Commerce)** aims to revolutionize e-commerce, by offering a network-centric model for connecting buyers and sellers, irrespective of the platforms they originate from, a UPI for online marketplaces. stack worldwideThe digital revolution.
- Financialization .
 - **Banking formalization**, increasing compliance through digital payments and **Covid-induced** low interest rates has led to higher allocation into **equity markets**, both through **mutual funds and directly**.
 - **As per capita GDP** ratchets up to the USD4,000 inflection point, financialization of assets is also expected to double

Conclusion

India's growth story is at a turning point. It is uniquely positioned among major economies with its large and growing middle class and a **young working-age population**. Finally, aided by the above trends, the country's massive informal sector is now being rapidly included into the formal economy leading to increasing financialization of assets. All these structural shifts set the stage for India to become the fourth largest economy in the world by the end of this decade.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

Q.1. Consider the following statements: (2017)

1. Tax revenue as a percent of GDP of India has steadily increased in the last decade.
2. Fiscal deficit as a percent of GDP of India has steadily increased in the last decade.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (d)

Q.2. Which of the following is a most likely consequence of implementing the 'Unified Payments Interface (UPI)?

- (a) Mobile wallets will not be necessary for online payments.
- (b) Digital currency will totally replace the physical currency in about two decades.
- (c) FDI inflows will drastically increase.
- (d) Direct transfer of subsidies to poor people will become very effective.

Ans: (a)

Mains:

Q.1 "Investment in infrastructure is essential for more rapid and inclusive economic growth." Discuss in the light of India's experience.