



Navigating India's Path to a \$30 Trillion Economy by 2047

This editorial is based on “[Powering up to get to the \\$30-trillion economy point](#)” which was published in The Hindu on 07/08/2024. This article highlights India’s goal of becoming a \$30 trillion economy by 2047 requires overcoming the middle-income trap by boosting low-skilled manufacturing, enhancing female labor participation, and avoiding protectionist policies. Leveraging infrastructure improvements and fostering a market-driven economy are crucial for sustained growth.

For Prelims: [Post-liberalization Economy](#), [Economic Survey 2023-24](#), [Logistics Performance Index \(LPI\) 2023](#), [Labor Force Participation](#), [Scheduled Commercial Banks](#), [Gati Shakti scheme](#), [Direct Benefit Transfer \(DBT\)](#), [Jan Dhan Yojana](#), [Panchamrit](#), [Solar Mission](#), [National Wind-Solar Hybrid Policy](#), [Insolvency and Bankruptcy Code](#).

For Mains: Significance of Growth in Indian Economy for Inclusive and Sustainable Development.

Commentary on India's economic growth often displays a hint of premature triumphalism. Despite India’s impressive 7%-plus GDP growth rate and its status as the fastest-growing large economy globally, there is an ongoing belief in the inevitability of India’s economic ascent. However, historical precedents show that many countries have reached a similar stage but failed to achieve developed nation status. To realize the government's vision of a \$30-trillion economy by 2047, India must maintain **rapid economic growth** through liberal economic policies and harness the potential of the private sector.

As India eyes its **centenary of independence in 2047**, the vision of transitioning from a developing to a developed economy is both a challenge and an opportunity. With a diverse and dynamic economic landscape, India must leverage its strengths while addressing significant challenges to achieve this goal. Here’s a detailed roadmap, enriched with recent data and projections, outlining how India can become a developed economy by 2047.

What are Challenges in Achieving Developed Economy Status by 2047?

▪ **Poverty and Inequality:**

- From Independence until 1991, India's poverty rate remained around 50% despite socialist policies aimed at poverty reduction. Making it
- However, [post-liberalization](#) (1991-2011), poverty dropped to about 20%, lifting 350 million people out of poverty.

▪ **Middle-Income Trap:**

- 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.
- India risks falling into the middle-income trap, where countries fail to transit from middle-income to high-income status.
- Out of 101 middle-income economies in 1960, only 23 had reached high-income status by

2018.

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

▪ **Aging Population:**

- India's population, currently approximately 1.4 billion, is **expected to reach its peak of 1.64 billion** by 2048 before decreasing to 1.45 billion by 2100.
- As a result, India will face the challenges associated with an aging population, including increasing healthcare expenses, growing pension obligations, and potential labor shortages.

▪ **Stagnated Agriculture:**

- Agriculture sector employs around **46% of India's population and contributes just around 16.5% in India's GDP**.
- However, due to **ineffective land reforms, unscientific practices, lack of institutional credit flows and climate vagaries** it has remained stagnant and a low productive sector.

▪ **Lacking Manufacturing Sector:**

- According to the [Economic Survey 2023-24](#), the manufacturing sector employs only 11.4% of India's workforce.
- Also, manufacturing sectors faced challenges due to **high input costs and fluctuating demand**.

▪ **Poor Logistics:**

- The **Economic Survey 2022-23** indicates that logistics costs in India range from **14-18% of GDP**, higher than the global benchmark of 8%. Also, India ranks 38th in the [Logistics Performance Index \(LPI\) 2023](#).

▪ **Joblessness and Disguised Unemployment:**

- India's high-growth years (2000-10), driven by the IT services boom, yet, **46% of the labor force** is still engaged in agriculture, contributing only 18% to GDP, with low productivity and under-employment issues.
- Also, according to CMIE, the unemployment rate in India rose sharply to **9.2%** in June 2024 from 7% in May 2024.

▪ **Labor Force Dynamics:**

- **Female labor force participation** stands at a mere 37%, though it has improved from 26% in 2019. This is low compared to other rapidly growing nations.

▪ **Global Economic Slowdown:**

- The **global economic slowdown, volatile commodity prices, geopolitical tension and tightening financial conditions** are hindering India's economic investment development by dampening exports, increasing import costs, and recruitment and financing for development projects.

What Key Measures Have Been Taken by the Government?

- **Increase in CAPEX:** Increased **capital expenditure by 28.2%** YoY in FY24, focusing on infrastructure development and boosting private sector participation.
- **Credit Growth:** Credit disbursement by [Scheduled Commercial Banks](#) reached Rs 164.3 lakh crore, growing by 20.2%, indicating in expenditure. Also, **Gross Non-Performing Assets (GNPA) ratio** improved to 2.8%, a 12-year low.
- **Infrastructure Development:**
 - According to the **Economic Survey 2023-24** construction pace of **National Highways** has increased from 11.7 km per day in FY14 to 34 km per day by FY24.
 - Also, [Gati Shakti scheme](#) or **National Master Plan for multi-modal connectivity plan**, is being implemented with the aim of coordinated planning and execution of infrastructure projects to bring down logistics costs.
- **National Monetisation Pipeline (NMP):** It envisages an **aggregate monetisation potential of Rs 6-lakh crore** through the leasing of core assets of the Central government in sectors such as roads, railways, power, oil and gas pipelines, telecom, civil aviation etc, over a four-year period (FY 2022-25).
- **Digital India Initiative:** It aims for national empowerment, elevating living standards and fostering transparency through **digital infrastructure development**.

- **National Education Policy and Skill India Mission:** The government has been implementing these initiatives for providing quality education and skilling the demography of the country.
- **Providing Direct Benefit:** [Direct Benefit Transfer \(DBT\)](#) and [Jan Dhan Yojana](#) enhanced fiscal efficiency and reduced leakages, thus enhancing expenditure capacity of people.
- **Promoting Sustainability and Climate Resilience:** India through [Panchamrit](#) targets and several schemes like [Solar Mission](#) and [National Wind-Solar Hybrid Policy](#) is undertaking sustainable economic development.

What will be Challenges for India as a Developed Country?

- **Economic Vulnerability:**
 - Developed economies are more **integrated into global financial systems** and markets, making them more vulnerable to international economic fluctuations.
 - For example, **developed countries** faced more economic shocks during the [subprime crisis of 2007-08](#) and after Covid-19 slowdown.
 - As India progresses, it will experience increased exposure to global financial crises, trade disruptions, and shifts in international commodity prices.
- **Increased Climate Vulnerability:**
 - As a developed nation, India will face heightened **pressure to address climate-related issues**. This includes managing the impact of climate change on infrastructure, agriculture, and public health.
 - With its diverse geography, **India is susceptible to a range of climate risks**, including severe flooding, heatwaves, and cyclones, which can affect economic stability and quality of life.
- **Job Growth Plateau:**
 - In developed economies, job creation can sometimes lag behind economic growth due to **automation, shifting industry needs, and demographic changes**. India will need to address the potential for stagnant job creation as it industrializes and modernizes.
 - Rapid technological advancements and structural changes in the economy may lead to **skill mismatches**, where available jobs do not align with the skills of the workforce.
- **Deglobalization:**
 - Deglobalization refers to the trend of **reducing reliance on global trade and investment**, often characterized by increased protectionism and trade barriers. This can impact India's export-oriented sectors and global supply chains.
 - Changes in global trade policies and shifting geopolitical dynamics can create uncertainties for international investments and trade relations.

What Should be the Way Forward?

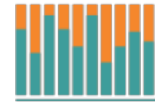
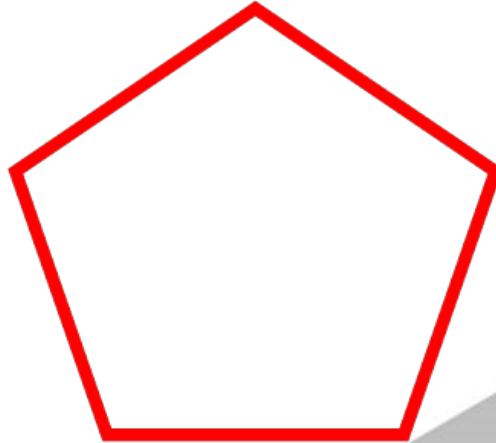
- **Developing Industrial Clusters:** The government must enhance its efforts to improve infrastructure by developing industrial clusters with comprehensive support systems.
 - A cluster-led model, where regulations are relaxed in specific areas, can create a favorable environment for manufacturing.
 - Additionally, the government should avoid imposing high tariffs that could disadvantage local manufacturers and impede export competitiveness.
- **Maintain Growth Momentum:** India's real GDP grew by an impressive 8.2% in FY24, surpassing 8% in three out of four quarters. This strong growth trajectory must be maintained to achieve developed economy status.
- **Addressing the Middle-Income Trap and Ensuring Growth:** To avoid the middle-income trap, India needs a market-led economy that supports private enterprise with minimal government interference. The focus should be on enhancing the **'ease of doing business'** and continuing economic reforms.
 - According to the [World Bank's World Development Report 2024](#) policies need to move to **'3i' strategy- investment, infusion, and innovation** to skip middle income trap.
 - South Korea is a standout example in all three phases of the 3i strategy and its path to development.



Governing
Reforms of political &
economic institutions with
remarkable policy continuity



Including
Market economy with
more jobs and higher
wages



Sustaining
Macroeconomic stability
with inflation and debt
under control



Growing
Factor accumulation and
technological improvement



Connecting
Higher firm productivity and
competitiveness through rapid
international integration

- **Expand Infrastructure:** There is a need to continue to invest in transport, urban development, and digital infrastructure. The increased pace in National Highways construction and new airport terminals reflects a positive trend.
 - There is a need to boost rural and urban connectivity through schemes like [Pradhan Mantri Gram Sadak Yojana](#).
- **Advancing Financial Sector and Monetary Stability:** There is a need to continue to enhance banking sector health and financial intermediation, supported by the [Insolvency and Bankruptcy Code](#).
- **Focus on Skill Development and Employment:** Address skill gaps by investing in education and vocational training, aiming for improved employment outcomes and higher workforce participation.
 - Studies suggest that a country can significantly benefit from **increased female participation in the workforce**. The **IMF** suggests that aligning India's female labour force participation rate with that of men could **boost India's GDP by 27%**.
- **Unleashing Demographic Dividend:** To unlock the potential of India's working-age population, there is a need for low-skilled, employment-intensive manufacturing sector jobs similar to the strategies used by the '**Asian Tigers**' like South Korea and Vietnam.
- **Diversify and Expand:** Continue to support growth in key industries such as **pharmaceuticals and electronics**. Leverage India's strengths in services to further expand global market share.
- **Foster Innovation:** Encourage the growth of start-ups and the gig economy, which are essential for driving new business models and technological advancement.
- **Green Transition:** Accelerate investments in clean energy and sustainable practices. Address the projected increase in energy needs by continuing to expand renewable energy sources.

Conclusion

As India aims to be a developed country by 2047, it needs to ensure **holistic development** rather than just focusing on economic growth. This means addressing not only the economic factors but also **social, environmental, and institutional factors**. India can ensure holistic development by:

- **Investing in human capital** through better education, healthcare, and skill development to improve the quality of life.
- **Promoting sustainable and equitable growth** that reduces income inequality and provides opportunities for all.
- **Integrating environmental considerations** into its development plans to address climate change, biodiversity loss, and resource depletion.
- **Strengthening democratic institutions**, governance, and the rule of law to ensure inclusive and transparent decision-making.
- **Fostering a diversified economy** that creates employment opportunities in various sectors, not just relying on a few industries.

By taking a comprehensive approach, India can achieve a balanced and sustainable development that enhances the overall well-being of its citizens.

Drishti Mains Question:

What measures should India implement to address stagnant job creation and skill mismatches as it transitions towards a developed economy by 2047? Discuss the role of education reforms, vocational training, and support for emerging industries in enhancing employment opportunities.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

Q. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if (2018)

- (a) industrial output fails to keep pace with agricultural output.
- (b) agricultural output fails to keep pace with industrial output.
- (c) poverty and unemployment increase.
- (d) imports grow faster than exports.

Ans: (c)

Mains:

Q. Justify the need for FDI for the development of the Indian economy. Why is there a gap between MoUs signed and actual FDIs? Suggest remedial steps to be taken for increasing actual FDIs in India. (2016)

