



## India to become Asia's 2nd Largest Economy by 2030

**For Prelims:** Gross Domestic Product (GDP), Startups, Foreign Direct Investment (FDI), 'Make in India', National Policy on Electronics 2019 (NPE 2019)

**For Mains:** State of India's Economy associated concerns and related steps taken

### Why in News

According to the Information Handling Services (IHS) Markit report, **India is likely to overtake Japan as Asia's second-largest economy by 2030.**

- Currently, **India is the sixth-largest economy**, behind the U.S., China, Japan, Germany and the U.K.
- IHS Markit is a **global leader in information, analytics and solutions** for the major industries and markets that drive economies worldwide.

**Note:** The size of a nation's overall economy is typically **measured by its [Gross Domestic Product, or GDP](#)**, which is the value of all final goods and services produced within a country in a given year.

### Key Points

- **GDP Projection:**
  - In terms of value, the **size of the Indian economy stood at USD 2.7 trillion** in 2021, which is projected to grow to USD 8.4 trillion by 2030.
    - This boom is enough to overtake Japan, making India the second largest economy in the **Asia-Pacific region** by 2030.
  - **India's growth rate is projected to be 8.2% in 2021-22**, compared to a decline of 7.3% in the previous fiscal.
  - However, the momentum of the current [financial year](#) (FY) will continue in 2022-23 as well and India will achieve 6.7% growth.
- **Role of Different Sectors:**
  - The **manufacturing, infrastructure and services sector** along with the [e-commerce sector](#) have a big role to play in boosting India's growth rate.
  - Not only this, due to **increasing digitization, the e-commerce market** will become bigger in the coming times.
    - According to a report, 1.1 billion Indians will have internet by 2030, in 2020 this number was 500 million.
- **Growth Rate:**
  - Overall the future of the Indian economy looks strong and stable, making it the fastest growing country in the country for the next decade.
  - In the long term also, **technological developments like infrastructure sector and**

[startups](#) will play a big role in sustaining India's rapid growth rate.

- Being one of the **world's fastest-growing economies** will **make India one of the most important long-term growth markets for multinationals** in a wide range of industries, including manufacturing industries such as autos, electronics and chemicals, and services industries such as banking, insurance, asset management, healthcare and information technology.
- **Middle Class Support:**
  - India gets the most help from its vast middle class, which is its main consumer force.
  - Indian consumer spending will also double in the next decade. This could increase from USD1.5 trillion in 2020 to USD3 trillion in 2030.
- **FDI Inflows:**
  - The large increase in [Foreign Direct Investment \(FDI\)](#) inflows to India that has been evident over the past five years is also continuing with strong momentum in 2020 and 2021.
  - It is being **boosted by large inflows of investments from global technology Multinational Companies (MNCs)** such as Google and Facebook that are attracted to India's large domestic consumer market.
- **Current State of India's Economy:**
  - India's **GDP** at current prices stood at USD 694.93 billion in the first quarter of FY22, as per the provisional estimates of gross domestic product for the first quarter of 2021-22.
  - **India is the fourth-largest unicorn base** in the world with over 21 unicorns collectively valued at USD 73.2 billion.

## Government Initiatives for Boosting Economy

- **'Make in India' and the [National Policy on Electronics 2019 \(NPE 2019\)](#)**
- **[Production-linked Incentive Scheme \(PLI\)](#) in Various Sectors**
- **[Major Telecom Sector Reforms:](#)**
  - Major telecom sector reforms have been approved in September 2021, which are expected to **boost employment, growth, competition, and consumer interests.**
  - The rationalisation of adjusted gross revenue, the **rationalisation of bank guarantees (BGs), and the encouragement of spectrum sharing** are among the key reforms.
- **Deep Ocean Mission:**
  - The Indian government approved the [Deep Ocean Mission \(DOM\)](#) in August 2021, with a budget outlay of Rs. 4,077 crore (USD 553.82 million) over the next five years.
- **Focus on Renewable Sources:**
  - In order to generate energy, **India is focusing on [renewable sources](#).** It plans to achieve 40% of its energy from non-fossil sources by 2030, up from 30% currently, and to increase its renewable energy capacity from to **175 gigatonnes (GW) by 2022.**
  - In line with this, India and the United Kingdom jointly launched a **'Roadmap 2030'** in May 2021 to collaborate and combat climate change by 2030.

## Way Forward

- On one hand, the sectors like manufacturing and construction recovered steadily in 2021, on the other hand, low-skilled individuals, women, self-employed people, and small firms were left behind.
- **Infrastructure and manufacturing** are the two pillars that **should be used to push the growth structurally.**
  - However, **infrastructure building or revival of the investment cycle**, in general, would require the private sector to also start contributing.
  - The fundamentals for a revival in private corporate and households' is emerging with financial institutions, especially banks, in a better position, corporates deleveraging, and a low-interest rate regime.
- The recovery of the Indian economy in FY22 totally **depends on how steadily household incomes recover and activity in the [informal sector](#) and smaller firms normalise.**
- India should also **increase ease of business and ease of living** to enable the private sector to

create wealth over a long period of time.

- **Participation of women** in the workforce is a key driver of India's growth. Therefore India should increase women's participation in the workforce.

**Source: IE**

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