



India to Contribute 15% of Global Growth in 2023: IMF

For Prelims: International Monetary Fund, Gross domestic product, Russia- Ukraine War, World Inequality Report 2022, Special economic zones.

For Mains: Factors Responsible for India's Economic Rise, Roadblocks in Achieving Sustainable Economic Growth.

Why in News?

According to the [International Monetary Fund \(IMF\)](#), India will alone contribute **15% of the global growth in 2023** and continues to remain a relative "bright spot" in the world economy.

Which Factors are Most Responsible for India's Economic Rise?

- **Growth Prospects:** India remains a bright spot at a time when the IMF is projecting 2023 to be difficult with **global growth** slowing down from **3.4% in 2022 to 2.9% in 2023**.
 - For FY 2023/24 (April 2023 to March 2024) India's growth rate is projected at 6.1% a bit slow like the rest of the world economy, but **way above the global average**.
 - And in that way, India is providing about **15% of global growth in 2023**.
- **Digitalisation:** According to the IMF, India has turned **digitalisation** into a driver of **overcoming the pandemic** and creating job opportunities, while the **country's fiscal policy has been responsive to economic conditions**.
- **Investment in Green Economy:** The **country's fiscal responsibility** has been translated into a medium-term framework, with a **strong anchor to public finances**.
 - **Also**, India is **investing in the green economy**, including **renewables with potential to shift the country towards clean energy**.
- **Capital Spending:** The capital spending has increased, which would amount to **3.3% of gross domestic product**, and will be the biggest such jump after an increase of more than **37% between 2020-21 and 2021-22**.
- **Demographic Dividend:** India does have a young population. **15 million people are added to the labour force every year**. Strong investment climate that **generates jobs is a great advantage for India**. Women can be a fabulous driver for India's growth.

What are the Roadblocks in Achieving Sustainable Economic Growth?

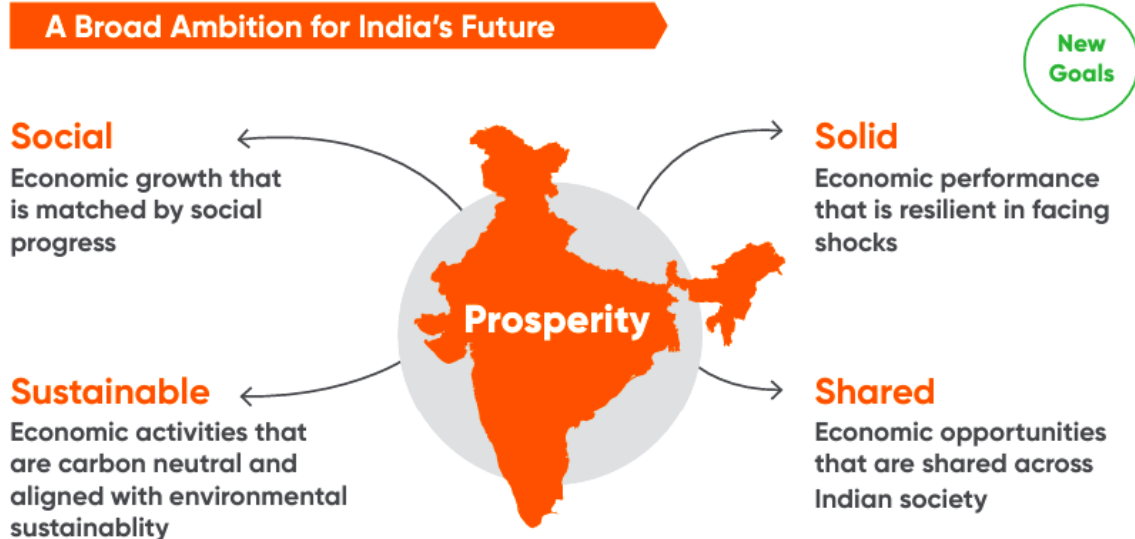
- **Contemporary Geopolitical Issues:** Emerging markets (including India) bear the brunt of the geopolitical risk in more ways than one including **supply chain constraints** widening the gap between demand and supply.
 - For instance, the [Russia- Ukraine War](#) has resulted in **global food shortages**.
- **Jobless Growth in Recent Past:** According to **CMIE (Centre for Monitoring Indian Economy)**, the unemployment rate in India is around **8% (December 2022)**. This is because **job growth has not kept pace with GDP growth**.
 - Only **40% of the labour force that is capable of working** is actually working or looking for work, in which women have a lower participation rate.

- **Widening Rich-Poor Gap:** As per the '[World Inequality Report 2022](#)', top 10% of India's population hold 57% of the total national income while the bottom 50% share has gone down to 13%.
 - India's inequality is driven by **limited upward mobility due to unequal opportunity.**
- **Widening Trade Deficit:** India's export trend has declined, with India's trade deficit reaching a **record 31 billion dollars in July 2022** due to recessionary trends in developed economies (like the US) and higher commodity prices.
 - The **capital outflows and the rising [current account deficit](#)** is putting pressure on the Indian rupee.

How India can Ensure Sustainable Economic Growth?

- **Setting up Economic Development Goals:** India's performance depends not only on how well it addresses the challenges of today but **also in its preparedness for future challenges.**
 - India needs to **ensure that its policy choices are robust and forward looking with modern technological solutions.** For this, an effective strategy for India needs to be based on a **transparent articulation of the country's economic development goals.**
 - These goals should outline an ambition that is **bold, energising, and reflective of the aspirations of the country.**
- **Manufacturing in India, for India and World:** There is a need to strengthen the [Make in India](#) initiative with special emphasis on the '**zero defect zero effect**'.
 - There is also a need for **reform in the banking sector** that can help boost small-scale manufacturing instead of only large-scale.
- **Unlocking the Potential of Indian Women:** Closing the [gender gap in education](#) and financial and digital inclusion of women and **breaking down the glass ceiling should be the priorities.**
- **Strengthening Special Economic Zones:** More [special economic zones](#) are needed to enhance foreign investment, increase exports, and support regional development.
 - **Baba Kalyani Committee on SEZs** has recommended that MSME investments in SEZs be promoted by **linking them to MSME schemes and allowing sector-specific SEZs.**

A Broad Ambition for India's Future



UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q.1 With reference to the Indian economy after the 1991 economic liberalisation, consider the following statements: (2020)

1. Worker productivity (Rs. per worker at 2004-05 prices) increased in urban areas while it decreased in rural areas.
2. The percentage share of rural areas in the workforce steadily increased.

3. In rural areas, the growth in the non-farm economy increased.
4. The growth rate in rural employment decreased.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 3 and 4 only
- (c) 3 only
- (d) 1, 2 and 4 only

Ans: (b)

Mains

Q. Do you agree that the Indian economy has recently experienced V-shaped recovery? Give reasons in support of your answer. **(2021)**

Source: IE

PDF Reference URL: <https://www.drishtias.com/printpdf/india-to-contribute-15-of-global-growth-in-2023-imf>

