



## 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 increase 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.



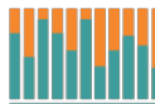
## Governing

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)**

