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Abstract

India is the fastest growing large economy in the world. While the top 10% and 1% of the population hold 57% and 22% of national income, respectively, the share of the bottom 50% is only 13%. Comprehensive reforms would enable India to attain a GDP of \$25 trillion and per capita income of \$13,000 (\$35 trillion and \$21,600, respectively, assuming 2% global inflation) by 2047-48. India has the potential to create 600 million new jobs and increase per capita income sixfold (at 2022 prices), while significantly reducing inequality by 2047. India would also achieve the UN-SDGs. This paper proposes an agenda for policy reforms covering six broad sectors, for a sustainable and inclusive development roadmap, which could enable India to attain the status of a developed economy by 2047-48.

JEL Codes: O1, O5

Roadmap to India's Prosperity

India's projected nominal GDP in 2047-48: \$35 trillion at a CAGR of 10.1% ; Per capita nominal GDP could touch \$21,668 at a CAGR of 9.2% (Fig. 1).

Projected GVA & Sectoral share of GVA – See Figs. 2 & 3

Reform priorities: (a) Ensuring a business-friendly environment conducive to creating additional job opportunities in industries and services could help facilitate shift of labor from the less productive agriculture sector to more productive sectors, improving TFP growth (Kotera and Xu, 2023); (b) investment-friendly policies, including continued investment in infrastructure; (c) easing FDI regulation; (d) export-led manufacturing and services growth; (e) significant increase in R&D investments for raising TFP in the major growth sectors to promote export competitiveness.

Figure 1: India's Projected Nominal GDP & Nominal Per Capita Income

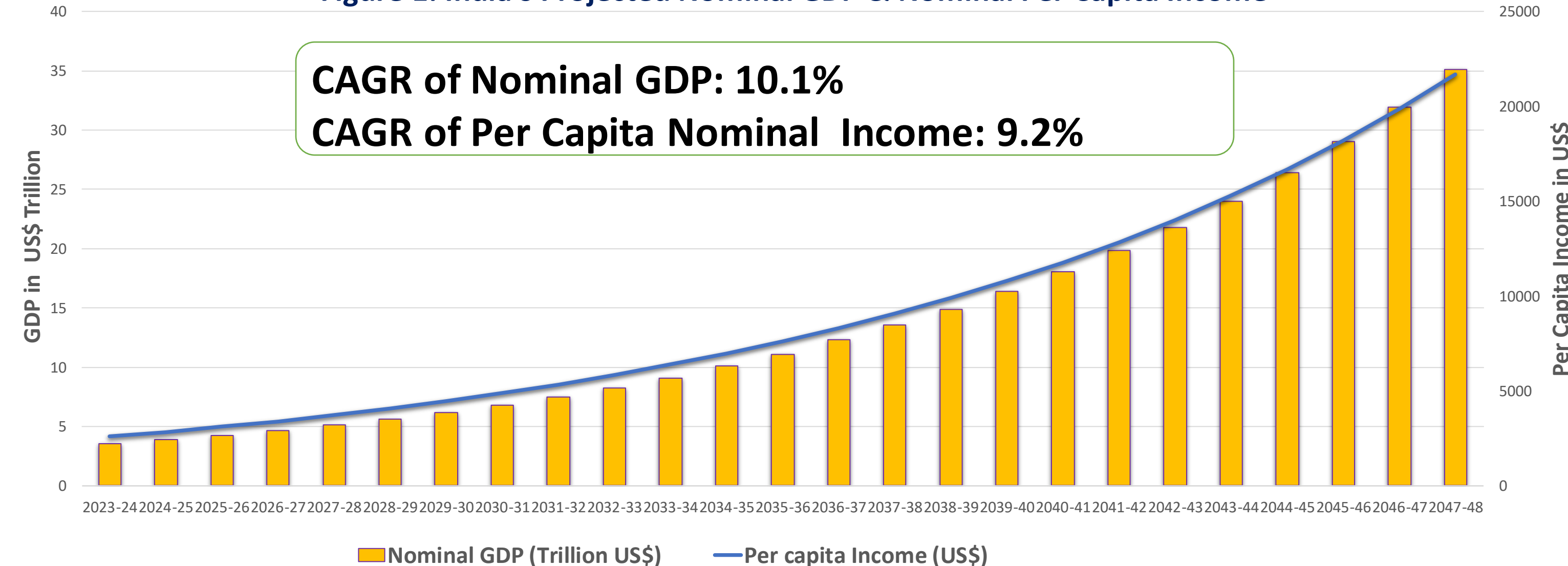


Figure 2: India's Projected Nominal GVA

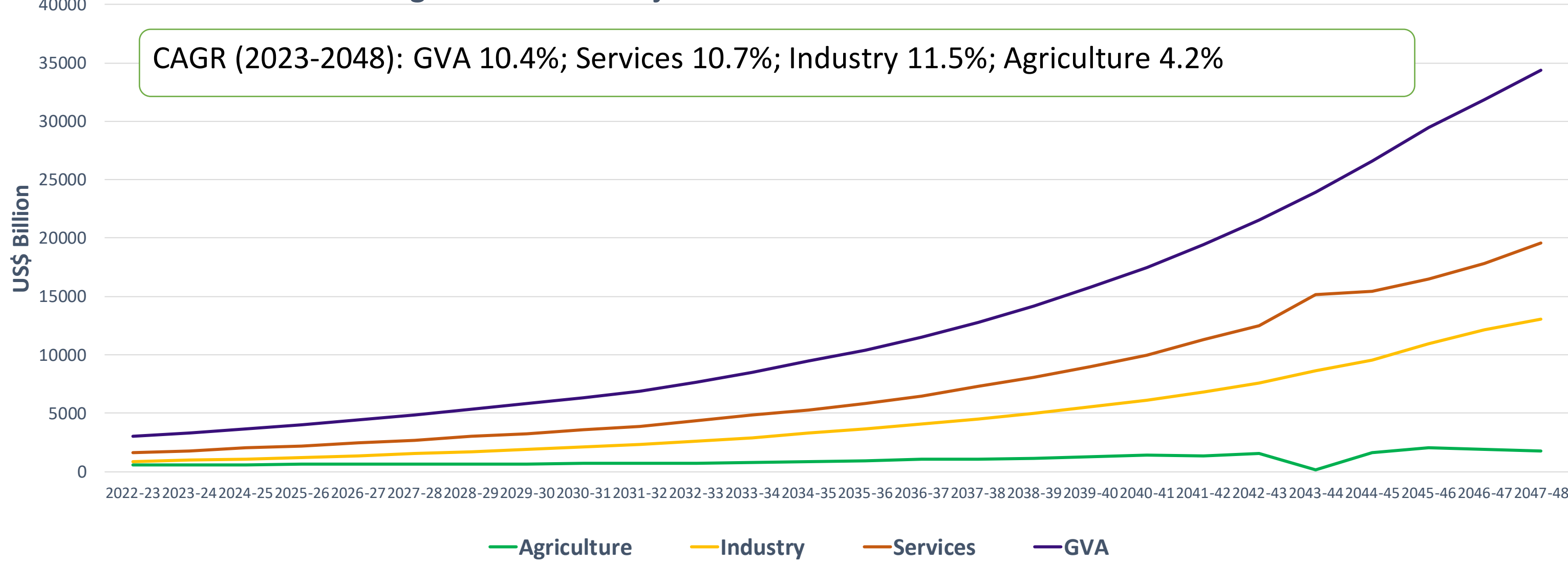
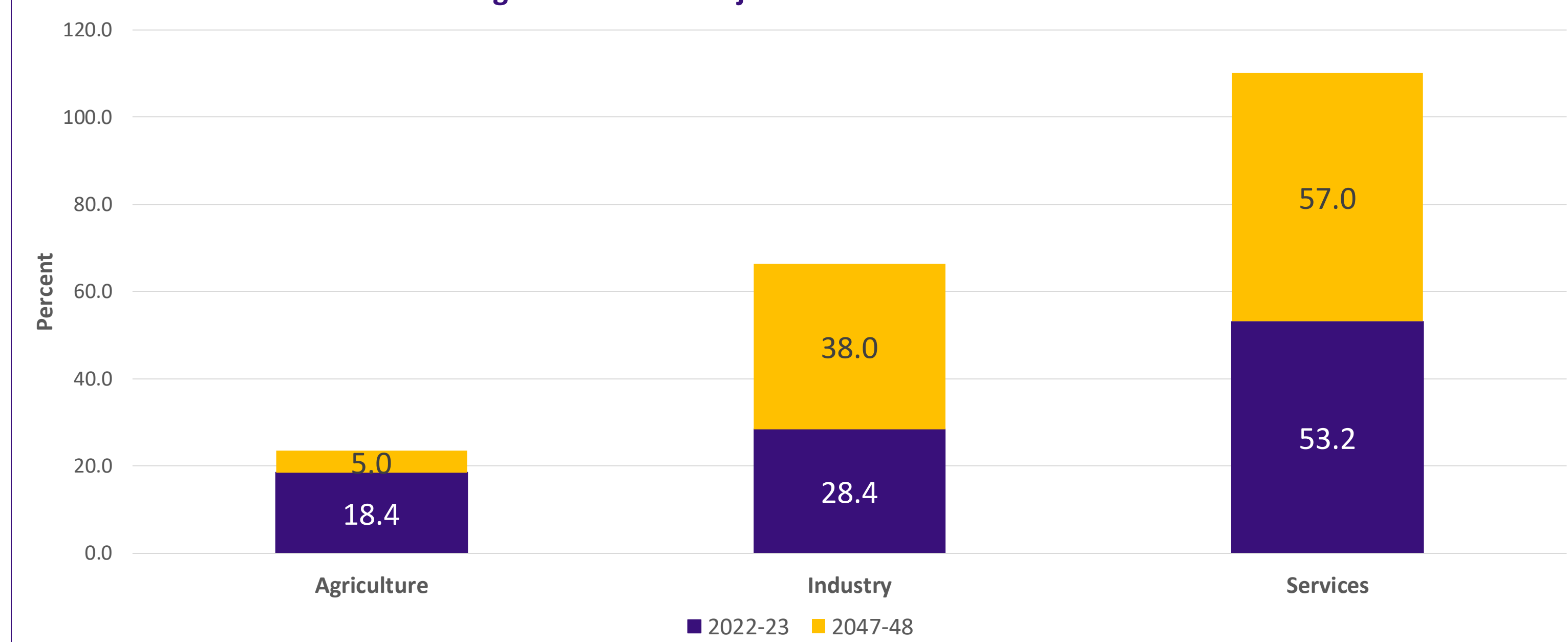


Figure 3: India's Projected Sectoral Share of GVA



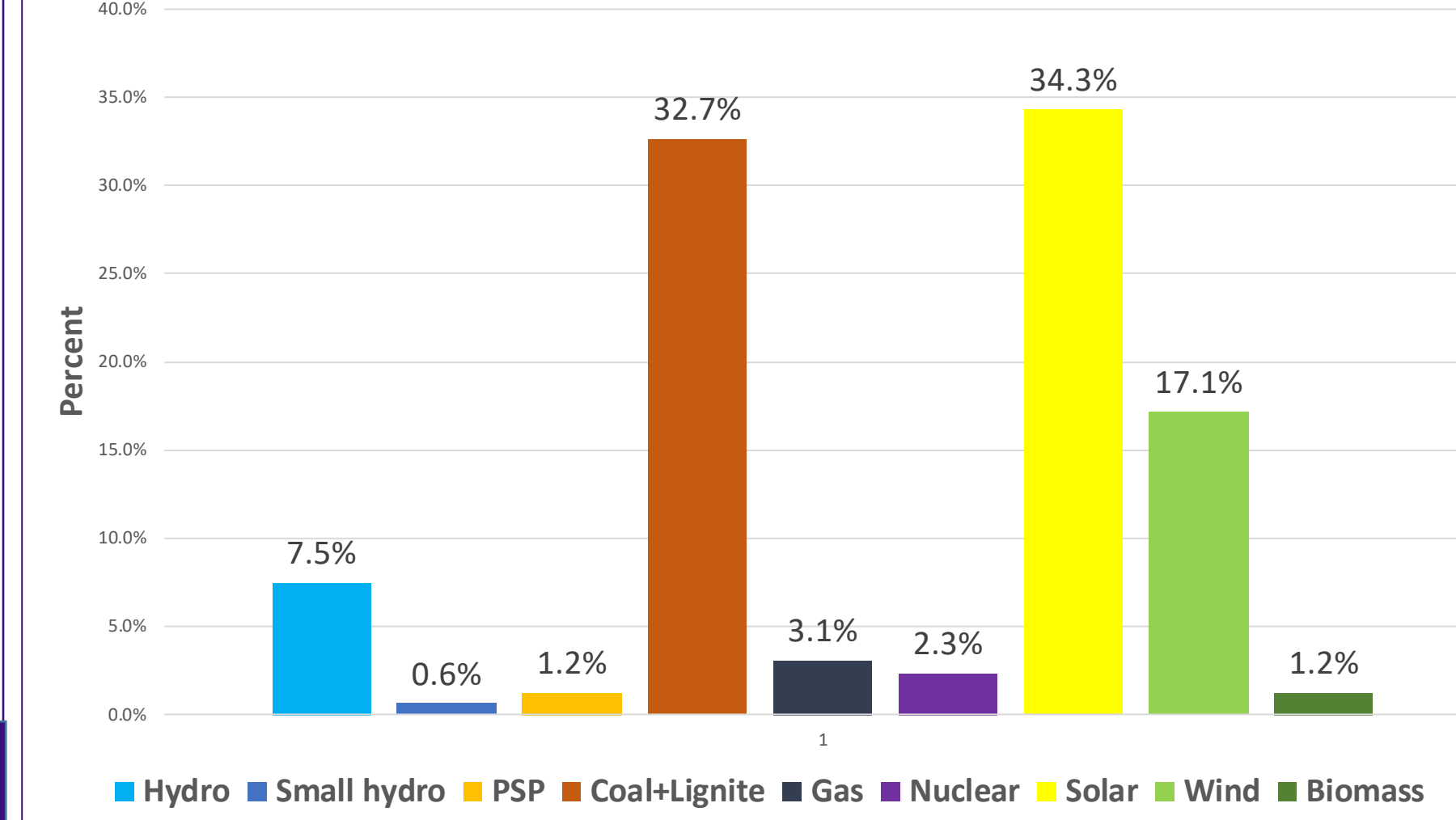
Reforms Agenda for Sustainable and Inclusive Development

A. Energy Security and Achieving Net Zero: India's renewable energy roadmap for attaining net zero by 2070 can limit climate disruption and boost energy security; Solar power (34.3%) will have India's highest projected optimal mix of installed capacity for 2029-30 (Figure 4); India's average emission rate is estimated to decline by 30% from 0.73 kWh in 2014-15 to 0.51 kWh in 2029-30 (Figure 5). India will need investments worth 2.5% of GDP in green initiatives to achieve its net zero goal of 2070.

Contact

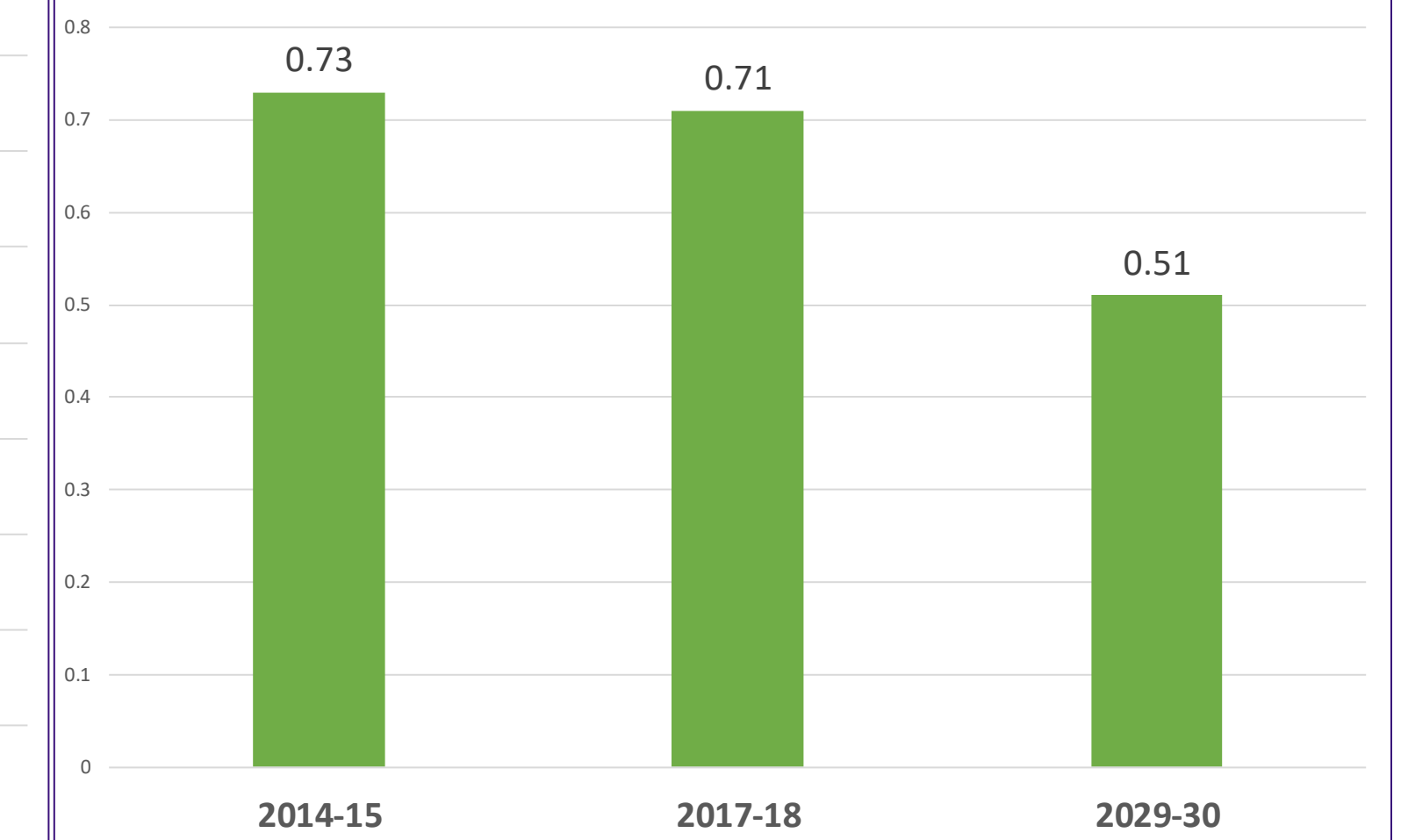
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Figure 4: Projected Optimal Mix of Installed Capacity for 2029-30



Source: Central Electricity Authority, Government of India

Figure 5: Projected fall of CO2 Emissions per kWh in India due to additions in non-fossil fuel-based installed capacity



Source: Central Electricity Authority, Government of India

B. Comprehensive Policy Reforms for Creating World Class Infrastructure

Comprehensive policy reforms and enormous amount of investment across sectors and regions, are required for creating world class infrastructure in India. National Infrastructure Pipeline (NIP) and the National Monetization Pipeline (NMP) are providing the much-needed impetus for stepping up infrastructure investment; NIP & NMP need to be continued for 25 years. National Logistics Policy will address the gaps in services, digital infrastructure, and skills in the logistics workforce. India has a powerful story on digital public infrastructure that is finding global resonance

C. Harnessing Opportunities in the Fourth Industrial Revolution

To harness opportunities in Fourth Industrial Revolution (IR-4) (Schwab, 2017), concerted actions are required to channelize India's strength in digital technologies to develop smart manufacturing. India has made giant strides in the digital space, implementing unique, large-scale projects powered by public digital infrastructure, particularly in the payment infrastructure. The Production Linked Incentive (PLI) Scheme has transformed India's export basket from traditional commodities to high value-added products. Harnessing opportunities in IR-4 could transform the manufacturing sector into a major growth driver of the Indian economy. India's projected manufacturing GVA & share of manufacturing in GVA are shown in Figs. 6 & 7.

Figure 6: India's Projected Manufacturing GVA

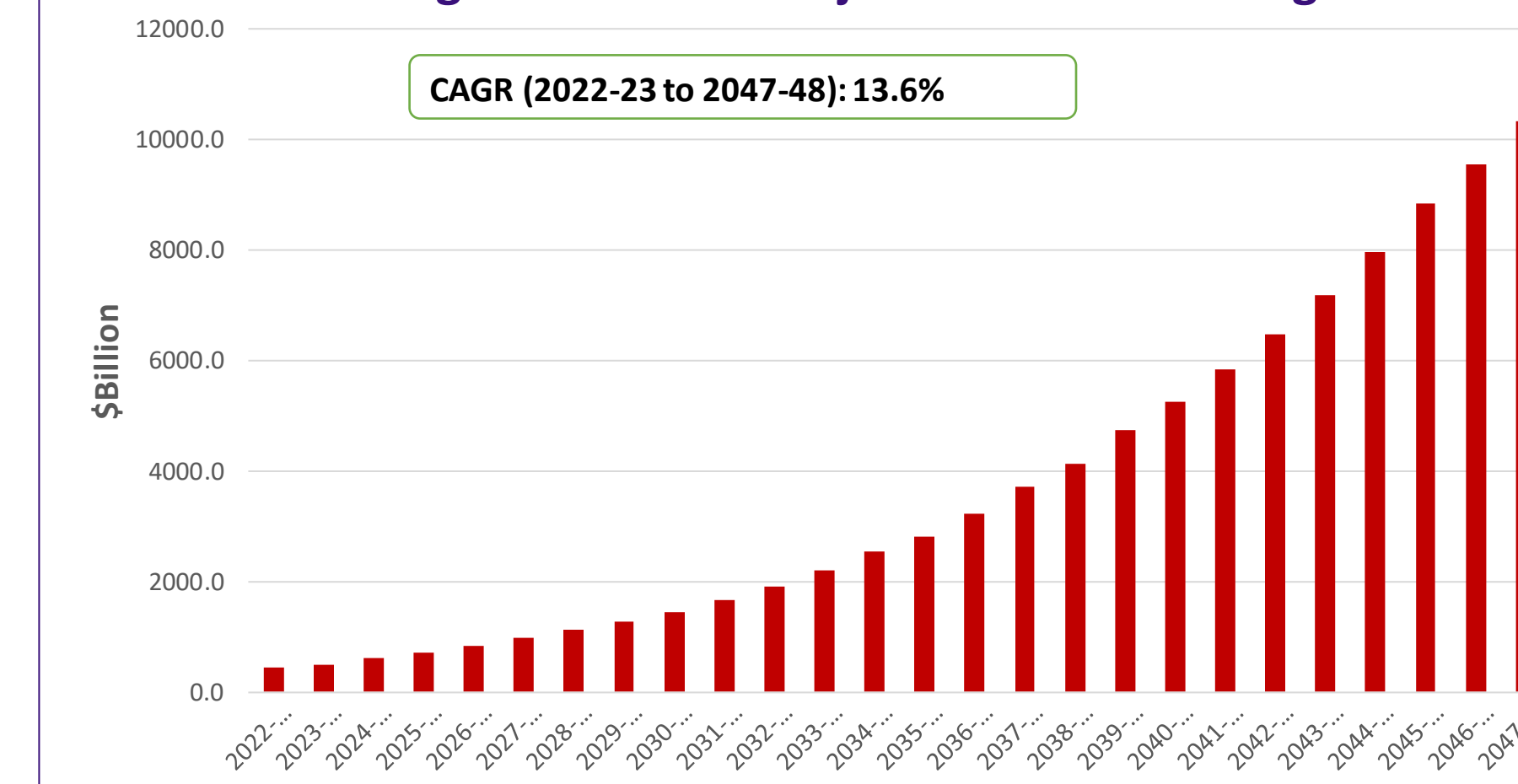
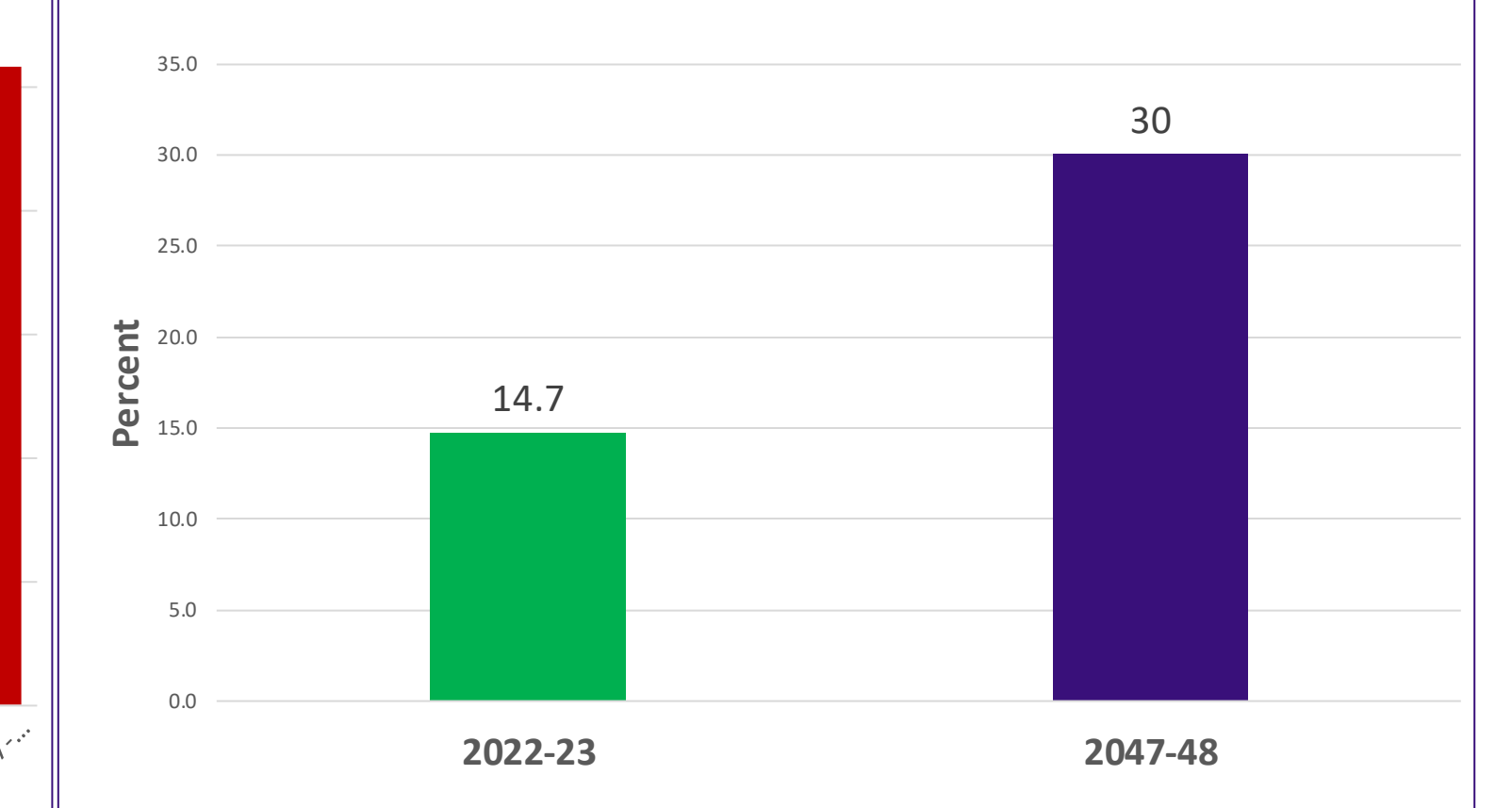


Figure 7: India's Projected Share of Manufacturing Sector in GVA



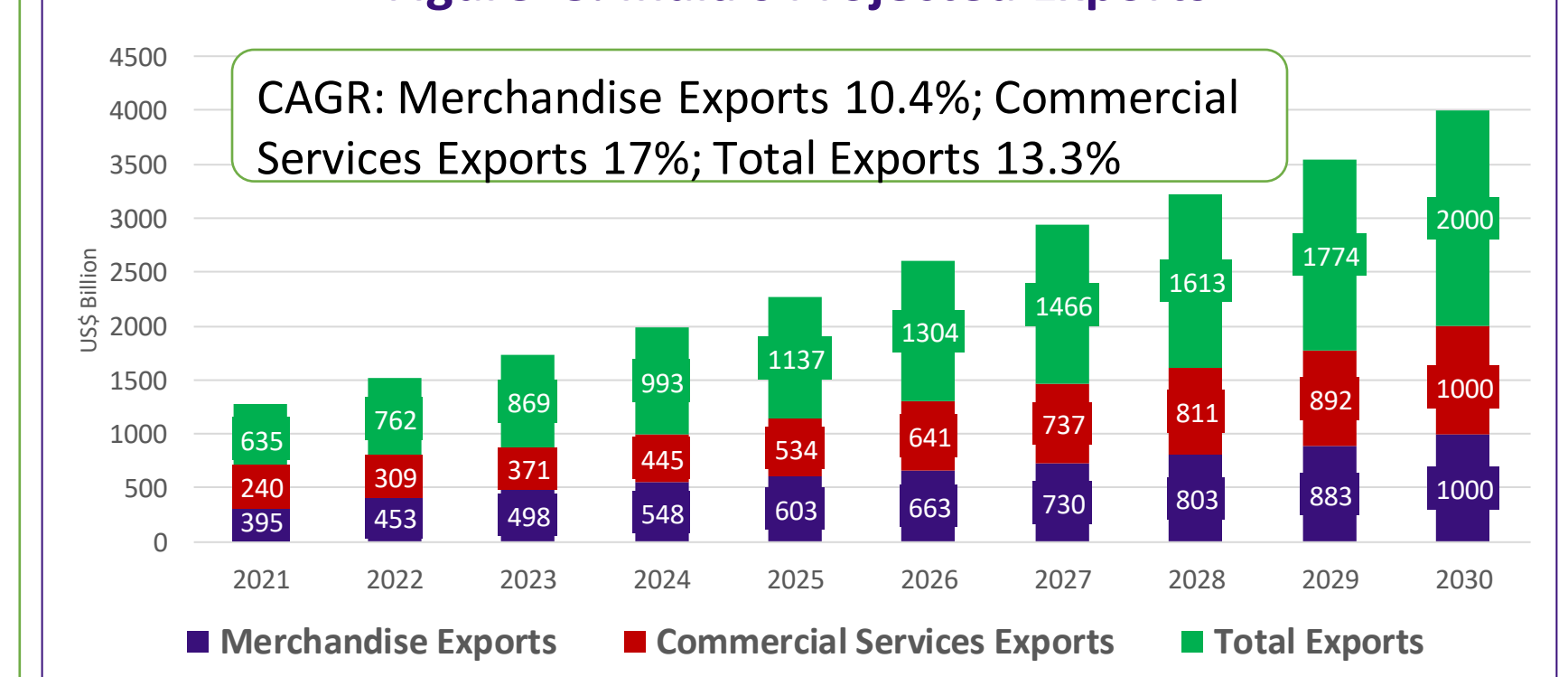
Source: Authors' calculations based on baseline data accessed from National Statistical Office, Government of India .

D. Export-led Development Strategy

India's merchandise exports valued at \$453 billion, was ranked 18th in the world with a share of 1.8% in 2022 (WTO, 2023), experiencing a 15% annual growth. India's exports of commercial services valued at \$309 billion, was ranked 7th in the world with a share of 4.4% in 2022 and grew by 29%.

Cross-country evidence gathered by Panagariya (2019) reveals a strong association between trade openness and growth. Early completion of FTAs with the UK and the EU is imperative. India needs to join mega regional trade agreements – re-negotiate RCEP and consider joining CPTPP. India also needs to be a part of the trade pillar of the Indo-Pacific Economic Framework for Prosperity (IPEF). Export similarity index can be an effective tool to engage better with India's trade partners to achieve \$2 trillion exports by 2030 (Rath, 2023). See Fig. 8

Figure 8: India's Projected Exports



E. Technology-driven Agriculture Sector Reforms: India needs a vibrant and future-ready national research system for agriculture (Chand & Singh, 2023). Breakthroughs in biotechnology, digital technology, nanotechnology, space science & GPS, offer immense benefits for ready application in agriculture. Comprehensive agriculture reforms with a focus on (a) marketing reforms and (b) sustainable agriculture, is imperative for sustainability of the sector and significant increase in farmers' income.

F. Reforms for Inclusive Development: India has made remarkable progress in multidimensional poverty reduction (NITI Aayog, 2023), & ensuring access to essential services such as housing, electricity, sanitation, and cooking fuel through the flagship programs. India has prioritized social protection measures to safeguard the most vulnerable sections of society. India's priorities lie in creating more jobs with growth to capitalize on its human resource. At the same time, it is imperative to encourage the Labor Force Participation Rate (LFPR) for women.

Conclusion

- Resilience of the Indian economy in the era of polycrisis reflects India's potential to attain the status of an economic superpower within the next 25 years.
- Transformative reforms agenda for India discussed in the paper are imperative for attaining sustainable and inclusive development.

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