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INDIA'S USD 5 TRILLION ECONOMY BY 2024-25 – TRUTH OR MYTH?

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ABSTRACT:

This paper aims to analysis whether India's goal of being of USD 5 trillion economy by financial year 2024-25 is feasible or not. Research implication: This paper provides a preliminary understanding of the topic. Future researchers are advised to use alternative research method. Research mythology: The research conducted is secondary and non-empirical in nature. Findings: Calculating for the GDP makes very evident that the India's USD 5 Trillion target will be met the fiscal year 2032-33, and not 2024-25. According to recent estimates, a more realistic target could be FY 2027-28. The clear option here is to take advantage of shall all the prospects available in order to stick to the revised target year. The government must also invest in infrastructure development. Originality/value: This research is secondary in nature and focuses on analyzing whether India's economic goals is feasible or not. The research conducted also propose measures that the government may take to aid in fulfilling India's USD 5 Trillion economy.

Key words: - *USD 5 trillion economy, India, FY 2024-25, COVID- 19, Russia-Ukraine war.*

INTRODUCTION :

It took the Indian economy just less than a decade (8 years) to expand from $1 to $2 trillion in 2014 and another seven years to reach just under $3 trillion as of today. In 2019, Prime Minister Narendra Modi announced his objective of making India a USD 5 trillion economy by 2024-2025. If India were to achieve this lofty goal, it would leapfrog over Japan, Germany and the United Kingdom to become the third largest economy in the world, up from its current 6th position in terms of nominal GDP. The underlying advantages pointed to India's ability to attain the stated aim. The structure of the economy and the evolving dynamics in 2019 created the foundation for attaining USD 1 trillion in agricultural and related industries, USD 1 trillion in manufacturing, and USD 3 trillion in services. However, there have been quite a few unexpected events since then. Following a countrywide lockdown due to the aftermath of the COVID-19 outbreak, India's GDP declined by 7.3 per cent in the fiscal year 2020-21. Against the backdrop of the pandemic, and more recently, the Russia-Ukraine war, this economic goal seems exceedingly improbable.

Research Methodology

The research conducted is secondary and analytical in nature.

Research Objectives

- To understand the challenges associated with making India a USD 5 trillion economy in light of the COVID- 19 pandemic and the Russia-Ukraine War.
- To identify key steps towards achieving this goal.

Research Questions

- Is the goal of making India a USD 5 trillion economy by 2024-25 feasible?
- What are the steps that can be taken to achieve this goal?

Limitations of Research

The paper is based completely on secondary data, which has been collected from pre-existing scholarly journal articles, websites, and blogs. Despite the researchers' best efforts, many scholarly articles for this particular topic were unavailable.

Findings and Analysis

Ever since the Millennium Development Goals (MDGs) were proclaimed, nations throughout the globe have been trying their level best to accomplish them along with the Sustainable Development Goals (SDGs). Most of the tactics and strategies of countries have shifted as a result of the COVID-19 pandemic, and the primary emphasis remains on combatting the virus. India, however, cannot afford to lose sight of its goal of creating a $5 trillion economy for long.

The Indian economy is characterized by these following indicators:

1) Low per capita income.
2) Inequalities in income distribution.
3) Predominance of agriculture (The agricultural industry employs more than two thirds of India's current workforce).
4) Rapidly growing population with an annual change of 1.2%.
5) Chronic unemployment (A person is considered to be employed only if they work for 273 days of a year for eight hours every day).
6) Low rate of capital formation due to less saving rate.
7) Mixed Economy.
8) Adheres to Labor Intensive techniques and activities.

The following are among the most key sectors of the economy

Primary Sector*:* When an economic activity is largely based on the extraction of natural resources, the activity is classified under the primary sector. Agricultural and agriculture-related activities fall into the primary sectors of the economy.

Secondary Sector: When the major activity is manufacturing, then the activity is of the secondary sector. The secondary sector encompasses all industrial production that yields physical commodities.

Tertiary Sector*:* When the activity involves the provision of intangible goods like services, then it is considered to be a part of the tertiary sector. The service sector includes industries such as finance, management consulting, telecommunications and information technology.

Indian Economy before COVID-19

In the last 70 years, India has faced a recession only three times – in fiscal years 1958, 1966 and 1980. The cause was the same in all three situations - unexpected heavy rainfall that wreaked havoc on the agricultural industry. This time around, however, the situation is completely different. According to a 2019 World Bank report, India intends to raise the standard of living of all of its citizens and become a high-middle income nation by 2030. The last couple of years has seen India's economy growth steadily increasing. During the 1970s and 1980s, annual growth reached 4.4 percent, but it jumped to 5.5 percent in the 1990s and early 2000s, and then to 7.1 percent from years 2010 to 2020. The increase in growth can be seen not only in the aggregate GDP, but also in per capita GDP. In the last decade, per capita growth averaged 5.5 percent per year. When compared to numerous other major developing countries, India's sustained acceleration of growth appears to be unique and exceptional.

However, the Indian economy's growth rate fell in the second half of the 2019-2020 fiscal year compared to the same period the previous year. The country's GDP has now declined for the sixth quarter in a row.

Reasons for Cheer?

India's nominal gross domestic product (GDP) at current market price is anticipated to be at Rs. 232.15 trillion (USD 3.12 trillion) in financial year 2021-22. According to the Economic Survey, with so many digital start-ups sprouting up across the nation, India boasts the third-largest unicorn base in the world, with about 83 unicorns collectively worth a total of $277.77 billion. According to the Nasscom-Zinnov report "Indian Tech Start-up," India is predicted to have 100 unicorns by 2025, which will generate 1.1 million new employment opportunities.

Sobering Reality Check

It is not uncommon for politicians to try to rally supporters around slogans and banners while promoting large numbers, such as the case in point - the USD 5 trillion GDP target. When it comes to economic targets and objectives, however, it is critical that authorities and experts move beyond the headlines and set out the facts, a strategy and a roadmap plan for achieving the goal. In 2018-19, India's GDP was $2.75 trillion. India's most recent official growth rate is 4.5 percent. There is hope that this poor performance would be short-lived, but let us wonder for the sake of basic arithmetic how long it would take for India to reach the $5-trillion threshold if it continues to expand at its current rate. Clearly, GDP will increase to $2.87 trillion in 2019-20, which is $2.75 trillion added to 4.5 per cent of 2.75. Continuing to calculate the size of the GDP in the same way, and it becomes very evident that the $5 trillion target will be met in fiscal year 2032-33, and not 2024-25. As of the present, the estimated GDP of India is somewhat less than USD 3 trillion. If it wants to reach USD 5 trillion within three years, the economy must develop at a rate of more than 15% each year on an average. China, from 2003 to 2009, was the first country in modern history to grow at an average annual rate of more than 10.5 percent for six years in a row.

The IMF and the RBI both recently lowered their growth forecasts. According to the most recent CSO estimate, the GDP shrank by 7.3 per cent last year, and according to the most recent RBI projection, the economy would likely grow by 9.5 per cent this year - significantly below the needed threshold. This goal becomes increasingly improbable, especially in light of the 2022 Ukraine-Russia conflict, the cost of oil, as well as other factors. The Russia-Ukraine conflict reduced worldwide GDP growth by 1% in 2022 and is projected to do so by 0.2% in 2023. A hike of 2-3% beyond pre-war projections is expected for overall inflation. In addition to these figures, since it has withheld from voting on a UN resolution denouncing the war, India may face poorer growth and higher inflation

Recommendations – Staying on Course

The government is committed to reaching its goal of becoming a USD 5 trillion economy by 2024-25, which is pretty evident in its a special focus on the infrastructure sector as well as other measures taken in Budget 2021-22. The Budget put forth by Finance Minister Nirmala Sitharaman earlier this year has given a huge boost to infrastructure spending, monetisation of assets, expansion of capacities in the healthcare sector and agriculture sector, among others. These efforts are geared at restoring the economy which has been severely harmed by the COVID-19 pandemic. On the GDP growth, the Secretary in the Department of Economic Affairs (DEA) predicted that the real GDP growth would be 10-10.5 per cent in the coming fiscal year. India already has various policy drivers in place to set the pace of growth. These include a five-hundred-gigawatt (GW) green power program a production-linked incentive (PLI) manufacturing push, a digital economy drive, a Rs 145 lakh crore-plus infrastructure pipeline, and tailored benefits for micro, small, and medium enterprises (MSMEs). Furthermore, good tax policies, such as the reorganization of GST rate ranges and enhanced compliance procedures, would give the government with sufficient profitability buffers to steer the economic policy.

India established the $1.9-trillion National Infrastructure Pipeline (NIP) in 2020 to aid its transformation from an agrarian economy to a service-based economy. The announcement of the Rs 100 lakh crore Gati Shakti program in October contributed to this. By 2024-25, the government aims to double the distance of the national highway road system to 200,000 kilometers, build more than 200 airports, helipads, and aquatic aerodromes, and double the length of the gas pipeline system to 35,000 kilometers. It also plans to build eleven new industrial corridors, two new defense corridors, provide 4G connection in all villages, and expand renewable energy capacity from 87.7 GW to 225 GW. In terms of exports, the government has laid out a detailed plan to attain $1 trillion in product or exports and $700 billion in services exports by 2028, combining its "Make in India for the World" and "Local goes global" agendas.

According to Dr. Ranganath G (2022), as the government strives to achieve a $5 trillion economy by 2024-25, several difficulties must be adequately addressed. To meet the growing ambitions of India's current young, the government needs to focus on policies for good governance and establish a strong, wealthy, and inclusive India. To encourage investments in the industrial sector, the government must also work on labor reforms and innovation reforms. Amid the trade disputes between the United States and China, India should concentrate on identifying ways to secure greater advantages by lowering key interest rates and accurately analysing rate of inflation to assist the government in raising GDP growth potential. The author is of the opinion that if 9-10 percent annual growth is achieved throughout years 2019-20 to 2024-25, India's economy can increase to $5 trillion by 2025.

Several Global corporations are reportedly considering transferring their facilities out of China, as per hearsay. This presents a great opportunity for several Asian countries, and considering India in particular, couldn't have come at a better time. Many Indian chemical businesses have stated that they have received queries from Western industries that had never considered India as a potential market before. India has managed to produce a number of enterprises that now compete worldwide with the bests from the United States and Europe. This could entice foreign investors to venture into India. Taking advantage of these prospects, however, will necessitate some considerable innovation on the policy front. The sooner policies are implemented, the faster the economy will expand and grow. Indian authorities must hunker down and provide meaningful economic support that would not only aid smaller businesses and entrepreneurs in meeting local demands and India's export sector in surviving the current crisis, but also maintain economic stability and recommence GDP growth.

DISCUSSION :

In less than ten years, India is predicted to be a self-sufficient country and an economic superpower, owing to the popularization and incorporation of the policy of domestic production by the indigenous and the native people. With the Government of India adhering to its goal of attaining an economy of USD 5 trillion by 2024 despite the dose of reality from various independent economists, the true answer may fall somewhere in the middle. According to the most recent estimates, the aim will very likely be adjusted by three years, with a more realistic target of financial years 2027-2028.

The Indian economy is expected to lead global growth in FY22, a position it will hold for the next five years. Better budgetary management and fiscal performance on part of the Central Government in FY22 may allow for increased infrastructure investment, boosting growth momentum even further. Finally, raising India's savings and investment rates could be crucial in boosting growth prospects to 7% or higher in the medium run.

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