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Can India be a $5 Trillion economy by 2026-27 : A perspective

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Abstract

In the year 2019, Government of India proposed to bring India to a $5 trillion economy by the year 2024-2025, following its growth trajectory in the past 20 years. Then it was followed by the global pandemic which slowed down all economic activities and the GDP growth suffered a hard blown setback. Many people had lost jobs as factories got closed, specially the MSMEs. On the one hand there were challenges of providing health facilities to the 1.25 billion population and at the same time to feed those laborers who lost jobs and moved back to their villages. 2020 and 2021 saw three waves of corona out of which the second was very severe. Then government arranged the largest vaccination program for the people which ran very successfully. In February 2022, the Russia-Ukraine war caused the inflation to sour in most of the countries including India, value of rupee fell, prices of crude oil in international market soured and therefore, the question became more relevant whether India will breach the mark of $5 Trillion of GDP by 2024-25, initially planned. This paper concludes that if the inflation which has been majorly reined in, and if rupee is stable and the world economies recover, India may achieve the target by 2026-2027.

Keywords: Five Trillion Dollar Economy, IMF, Global slowdown, Pandemic recovery.

1. Introduction

THE EDITORS of the Collins English Dictionary have declared a word "**permacrisis**" to be their word of the year for 2022. Defined as "**an extended period of instability and insecurity**", it is an ugly portmanteau that accurately encapsulates the today's world, as 2023 dawns. Vladimir Putin's invasion of Ukraine has created the biggest war in Europe since World War II, the most serious risk of nuclear escalation since the Cuban missile crisis and the most far-reaching sanctions regime has been erected by the West since the 1930s. Soaring food and energy costs have fuelled the highest rates of inflation since the 1980s in many countries and the biggest macroeconomic challenge in the modern era. Assumptions that have held for decades—that borders should be inviolable, nuclear weapons won't be used, inflation will be low and the lights in the rich countries will always stay on—have all been simultaneously shaken.

Three shocks have combined to cause the present turmoil in the global economy. However, the biggest of all is geopolitical. The American-led post-war world order is being challenged, most obviously by Russia, and most profoundly by the persistently worsening

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relationship between America and Xi Jinping's China. The resolve with which America and European countries responded to Russia's aggression may have revitalised the idea of "the West", particularly the transatlantic alliance, but it has widened the gap between the West and the rest. The majority of people in the world live in countries that do not support Western sanctions on Russia. Mr Xi outrightly rejects the universal values upon which the Western order is based. Economic decoupling between the world's two biggest economies is becoming a reality; a Chinese invasion of Taiwan is no longer implausible. Cracks are also appearing in the other longstanding geopolitical certainties, such as the alliance of convenience between America and Saudi Arabia. Inflation, food security, energy crisis, problem of refugees coming to European countries from Ukraine in millions have suddenly engulfed the whole of the world, which was still making efforts to come out of the pandemic shock to the economies. In the US, the inflation breached the mark of 8.3% against the tolerance limit of 2% and the Federal Reserve, as expected, intervened and hiked the interest rates four times till November 2022, 75 basis point each time. India had recently surpassed the GDP of the UK by breaching the $3Trillion mark considerably to emerge as the fifth largest economy in the World.

India, surrounded by the permacrisis milieu, could hardly remain unaffected. Following the rate hikes by the FED the FIIs and other foreign money started flying out of India causing depreciation of rupee by almost 10% in 2022 alone. Almost all Central Banks, including the RBI, raised the interest rates. This synchronised action of the Central Banks further complicated the already perplexed economic world. This was the period when a serious thought was warranted to examine whether in these grim circumstances would India be able to achieve the $5 Trillion economy objective by 2024-25 as envisaged and targeted by the present government in 2019. Many economic pundits revisited the data based on which this target was set and drew different conclusions. However, majority of them believed that India will be less affected by the current economic crisis and will remain relatively isolated. The present study examines these vital factors that are responsible for the expected growth rate projections of 7 to 9% annually. However, the study finds that instead of 2024-25, the target of $5 Trillion economy can be achieved by 2026-27 or a year later.

2. Literature review

The International Monetary Fund (IMF) and Chief Economic Advisor (CEA) Anantha Nageswaran have recently said that Indian economy's size could cross the $5-trillion mark in 2026-27. Nageswaran also said that a 10% annual growth in dollar terms could take the economy further to $10 trillion by 2033-34. Days after stating that India's $5-trillion economy dream will be pushed further by three years, the global financial body International Monetary Fund (IMF) has now revised its World Economic Outlook Database, which was released in April, saying India can achieve the $5 trillion economy target by the year 2026-27.

Interestingly, the current projections by the global financial body are almost the same as the Modi-led government's target of achieving the coveted status by the fiscal year 2025-26 or a year later. The IMF's current GDP projections are believed to be based on the changing rupee-dollar value.

The IMF dataset on the GDP (Gross Domestic Product) at current prices for India shows the current GDP at $3.5 trillion, which is expected to rise to $3.8 trillion in 2023-24 and $4.2 trillion in 2024-25. India's GDP, as per the IMF estimates, will touch $4.6 trillion in the year 2025-26, and finally cross the $5-trillion mark in 2026-27 by achieving the GDP of $5.1 trillion. Interestingly, the IMF estimates mark India's GDP to zoom to $5.5 trillion in just one year in 2027-28. The growth projections are shown as below in Figure-1 (Source: IMF).

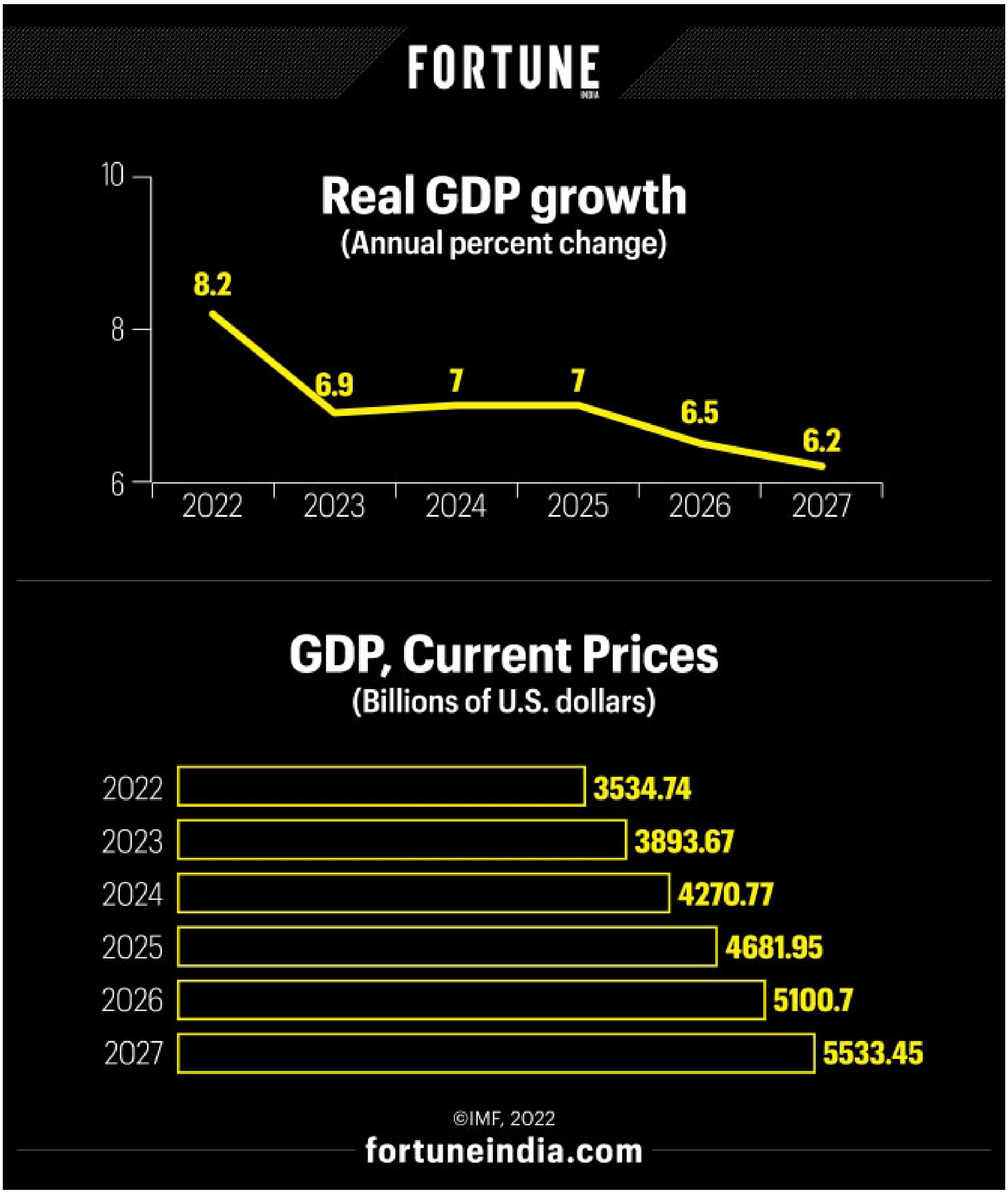

Fig. 1

Image Source: IMF

Prime Minister, in the year 2019, had envisioned making the country a $5 trillion economy by the year 2024-25, and urged the countrymen to make it an economic powerhouse and the world's third-largest economy.

The Centre this year, however, extended this target by a year, primarily due to the unprecedented Covid crisis and economic downturn caused by the pandemic. The government now aims to become a $5 trillion economy by FY 2025-26 or the next year by achieving 8-9% sustained GDP growth.

"If we continue to retain the path of 8-9 per cent real GDP, it would translate into 8 per cent dollar GDP growth. If we extrapolate that we should be at $5 trillion by 2025-26 or 2026-27," chief economic adviser V Anantha Nageswaran had said during the finance minister's post Budget 2022 interaction.

The IMF has projected India to grow by 8.2% in the financial year 2022-23, lower than its earlier forecast of 9%, because of Russia's invasion of Ukraine, high inflation due to fuel and food price rises, which would play a key role in dragging the economic growth backwards. In the first quarter this year, the GDP in nominal terms has grown by more than 13 per cent. Hence the projection of IMF about Real GDP growth of 8.2 per cent appears feasible, although the second and third quarters may not record such an impressive growth.

It expects India's GDP to be 6.9% in 2023-24, 0.2 percentage points down compared to 7.1% projected earlier. The GDP is estimated to grow at 7% during 2024-25 and 2025-26 as well. In the year 2026-27, when the country is expected to achieve the $5 trillion economy target, India is expected to grow at 6.5% and 6.2% the next year.

India is one of the fastest-growing economies and is currently ranked as the world's 5th largest economy. To fulfil the $5 trillion economy dream, the government aims to achieve $1 trillion from agriculture and allied activities, $1 trillion from manufacturing and $3 trillion from services.

Notably, the World Bank had also revised India's GDP for FY23 lower to 8% from 8.7% projected earlier. However, both these estimates are higher than the Reserve Bank of India's GDP estimates, which in its Monetary Policy Report for April 2022, had projected India's real GDP growth at 7.2% for 2022-23.

Similarly, Morgan Stanley forecasted observing that a shift in policy approach towards boosting investment, demographics advantages and the public digital infrastructure will make India world's third largest economy by 2027. It has further stated that India's GDP will grow from the current $3.4 trillion to $8.5 trillion over the next ten years. "Incrementally, India will add more than $400 billion to its GDP every year, a scale that is only surpassed by the US and China," Morgan Stanley's chief Asia economist Chetan Ahya wrote in Financial Times.

3. Major Growth Drivers

There are FOUR major drivers of growth which will determine whether India will be able to achieve the target of the $5 trillion economy. They are as follows:

(a) Private Consumption. This parameter is represented by the Private Final Consumption Expenditure. In other words, the people should have purchasing power and the consumption expenditure should be high for the economy to heat up and give rise to growth. Robust demand is the key to the growth rate.

(b) Private Investment. For growth, increased amount of private investment is required in various sectors of infrastructure. This is measured by Gross Fixed Capital Formation (GFCF). A number of such projects are going on where lot of private investment is made in all sectors like services and manufacturing. Nevertheless, the growth in services and the manufacturing sector is not as required for the coming five years, partly due to global factors and partly due to the gestation period involved in various projects. However, the Government of India has launched Productivity Linked Incentive (PLI) to boost manufacturing. It is hoped that this scheme will boost manufacturing in India and export of the manufactured goods. The following further steps have been taken by the government to boost private investment, even from overseas.

§ Relaxing FDI norms.
§ Cutting Corporate Taxes.
§ Accelerating Infrastructure Creation.

(c) Public Investment by the Government (Capital Expenditure). The government has undertaken big infrastructural projects of building National Highways, Airports, State Highways, Medical Colleges and Hospitals, IITs and Engineering Colleges etc. Hundreds of such infrastructural projects are either under construction or in the pipeline.

(d) Net Exports. The fourth driver of growth is increase in exports of the country. Net exports are presently on their knees due to continuous appreciation in the value of the dollar, increase in the price of crude oil in the international markets and finally burgeoning import bill, partially due to depreciation of the value of INR vis-a-vis the dollar.

4. Factors in Favour and Limiting Factors

4.1 Sufficient Foreign Exchange Reserves

India has large foreign exchange reserves. As of September 2021, India held fourth largest reserves in the world following Switzerland. They are holdings of cash, bank deposits, bonds, and other financial assets denominated in currencies other than India's national currency, the Indian rupee. The reserves are mainly composed of US dollar in the forms of US government bonds and institutional bonds, with nearly 6.75% of forex reserves in gold. The FCAs also include investments in US Treasury bonds, bonds of other selective governments and deposits with foreign central and commercial banks. The reserves are managed by the Reserve Bank of India for the Indian government and they constitute the main component of our foreign currency assets (FCA).

India's total foreign exchange reserves stood at around US$580.252 billion on 08 July 2022, with the

Foreign Currency Assets at around US$518.089 Billion, Gold Reserves at around US$39.186, SDRs at around US$18.012 Billion and around US$4.996 Billion Reserve Position in IMF, as per the RBI's weekly statistical supplement published on 15 July 2022. There are no rules or norms or formula how much foreign assets is enough for any economy. However, the Economic survey of India 2014-15 said India could target foreign exchange reserves of US$750 Billion-US$1 trillion.

4.2 Strong Service Sector

India has the fastest growing (9.2 percent in 2015-16) service sector in the world with the lowest share of services employment (28 percent in 2014), contributing about 66 percent to the Indian GDP. The government is taking aggressive steps to increase India's commercial services exports' share in the global services market (from 3.3 percent in 2015), and to enable multi-fold growth in the GDP ($2.3 trillion in 2016). In addition, not only 34 percent of the manufacturing jobs are service-type functions but also a dollar's worth of final demand for manufacturers generates $1.48 in other services and production. This further increases the importance of services in the economy and job creation. India is the export hub for software services. The Indian IT outsourcing service market is expected to witness 6 to 8% growth between 2021 and 2024.India's IT business services market is projected to reach US$19.93 Billion by 2025. As a policy support, the government of India is promoting necessary services and will charge zero tax for education and health services under the GST regime. In addition, the Indian services sector was the largest recipient of FDI inflows worth US$94.19 Billion between April 2000-March 2022. Despite pandemic, in the first half of 2021, private equity investments in India stood at US$ 11.82 Billion, as compared with US$ 5.43 Billion in the same period the previous year.

4.3 Digitization and Financial Innovation.

With one of the world's fastest-growing economies, India has undoubtedly emerged as one of the fastest-growing FinTech hotspots in recent years. Paperless lending, mobile banking, secure payment gateways, mobile wallets, and other concepts are already being adopted in India. Over the last two years, there has been a massive adoption of digital payment systems in India, making it a lot more convenient to go about with basic financial services. This growth and expansion of the FinTech ecosystem in India have been aided by a number of factors, including the growing availability of smartphones, increased internet access, and high-speed connectivity. The IMF in one of its reports observed "A decade ago, India's vibrant local markets were filled with people buying and selling goods with we-ll-worn banknotes. Today, they are just as likely to use smartphones". Advances in digital finance mean that millions of people in the formal and vast informal economy can accept payments, settle invoices, and transfer funds anywhere in the country with just a few screen taps. Demonetization and COVID-19 have accelerated the use of contactless digital payments for small transactions as well because people tried to protect themselves from the virus.

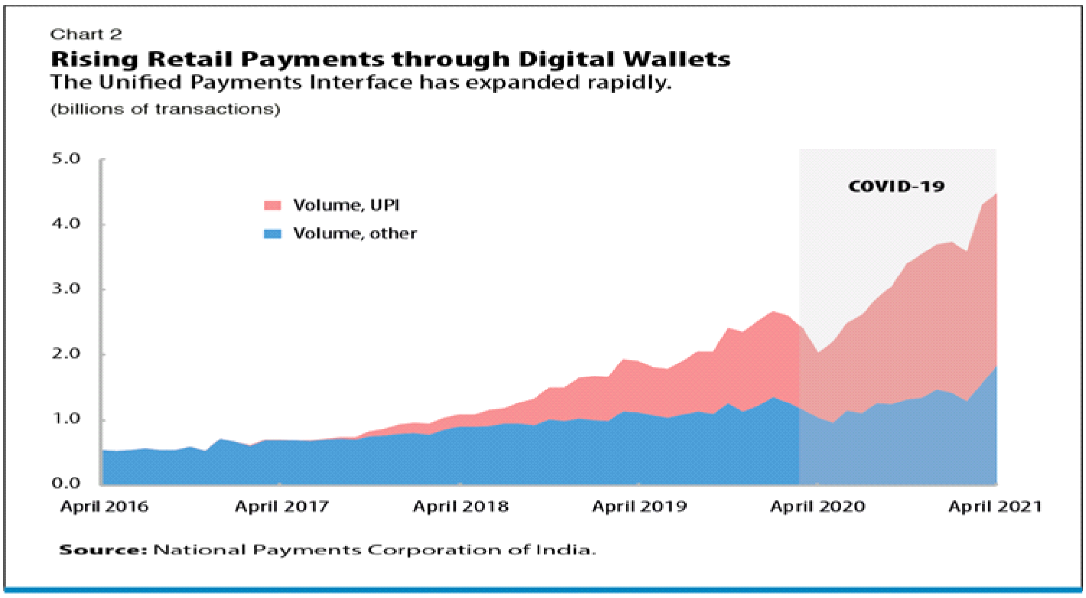

Fig. 2

4.4 Agriculture.

In 2022 we have received good monsoon. By 11 July 22, 107% of the average rainfall was already received. Hence agricultural production is expected to be robust. Also, we have enough food stock. The following figure-3 gives the total agriculture output growth (in percentage) quarter-wise. The progress made in this area is enough to fulfil not only the domestic

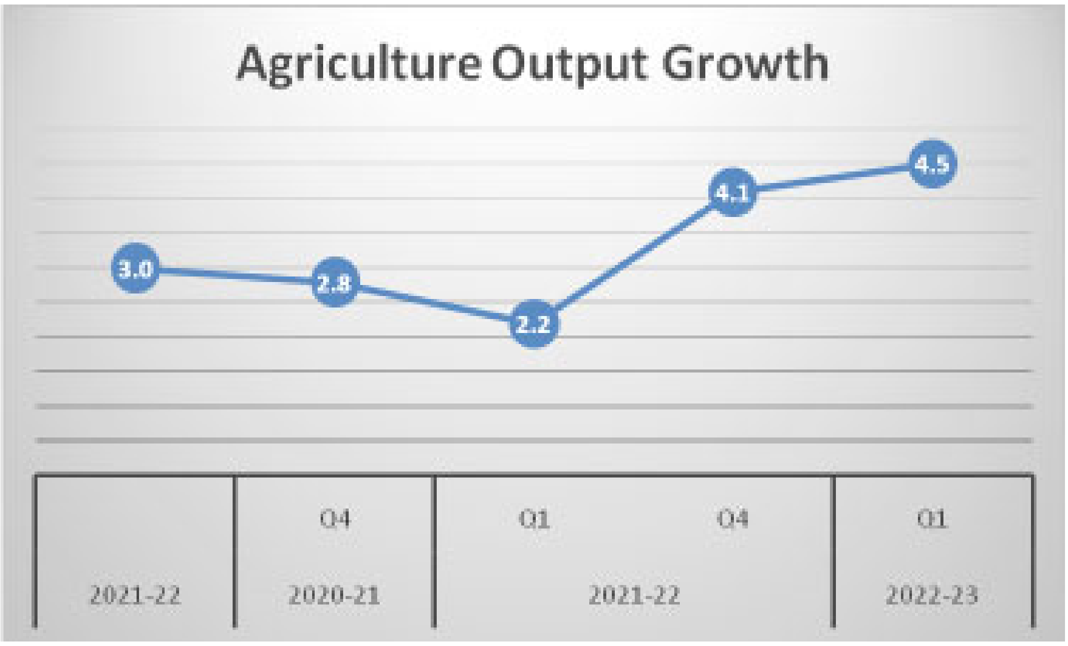

Fig. 3[1]

demand but also there has been considerable increase in the exports of food grains. The provisional data of DGCI&S showed that the agricultural exports have grown by 19.92% during 2021-22 to touch $ 50.21 billion. The growth rate is remarkable as it is over and above the growth of 17.66%, at $41.87 billion, achieved in 2020-21 and has been achieved in spite of unprecedented logistical challenges in the form of high freight rates, container shortages, etc. in view of the pandemic.

4.5 Demographic Dividend

Presently, India has been bestowed with **Demographic Dividend**. Let us look at the potential of the demographic dividend in India. India entered the demographic dividend opportunity window in 2005-06 and will remain there till 2055-56. This is the period when the working age ratio is equal to or more than 150% and the dependency ratio is equal to or lower than 66.7%, generally taken as the cut-off for the demographic dividend window. The highest working age ratio will be between 2021 and 2041, with the peak in the working age ratio occurring in 2031[2]. India, theoretically, could have a golden period in the two decades of 2020 to 2040, *if* the demographic dividend is harnessed properly.

But a potential does not mean that it will be automatically realised and thus presents many challenges. It is an opportunity, which can be harnessed *if the right conditions are there or created*. These conditions are: a healthy population, especially women and children; educated young people, especially girls; a skilled workforce; a high-performing economy that is generating required high-quality jobs; and people in gainful employment. Without proper policies, the increase in working-age population may lead to rising unemployment, apart from fuelling social and economic risks. Countries like South Korea, Taiwan and Singapore have already shown us how the demographic dividend can be reaped to achieve incredible economic growth by planning and implementing forward looking policies and programs to empower the youth in making choices as far as education, skills, and health outcomes are concerned. Figure-4 shows the comparison of India with these countries.

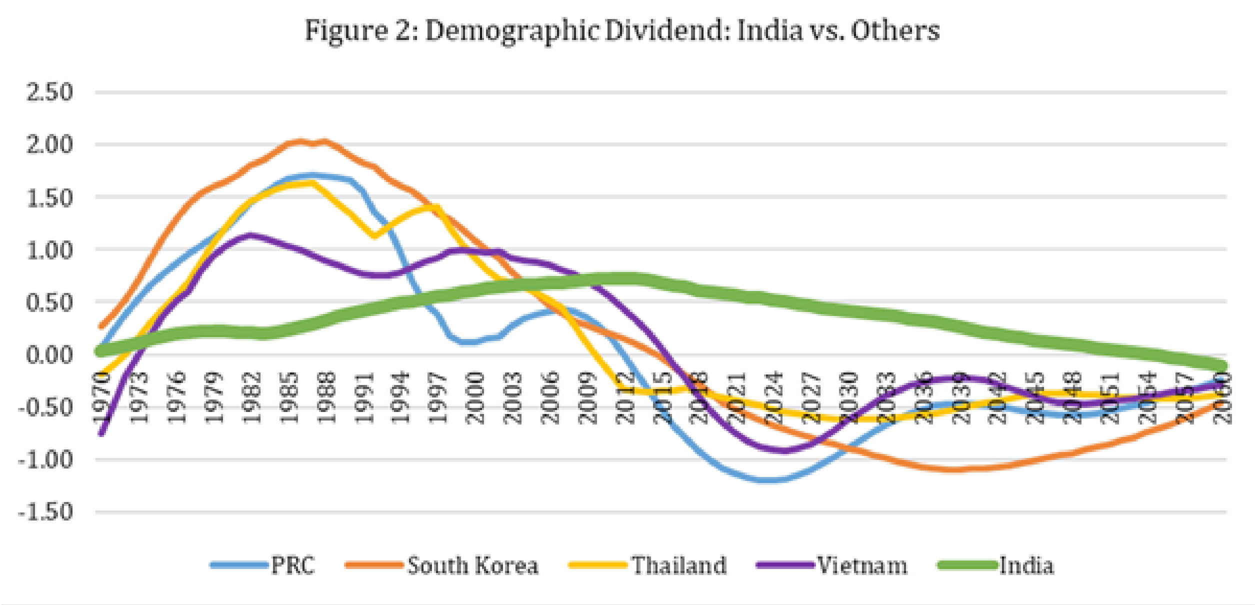

Fig. 4[3]

Also, it is important to note that these conditions have to be put in place well in advance, and not created when the demographic dividend is already on us, and in fact, fading away fast. For example, the maximum number of people entered the labour force in 2001-11 and 2011-21, to the tune of more than one crore per year. Did we prepare for it in advance by providing them with good health, education, vocational training and good jobs?

As per the National Family Health Survey (NFHS) number 5, more than one-third of children (35.5%) are stunted in India, indicating poor health, educational and professional prospects in later life. The same survey shows that more than half (57%) of women in the age group of 15-49 years are anaemic in India. This is a highly worrying and alarming figure. The quality of the education remains poor as shown by different Annual Status of Education Reports (ASER).

A high number of reasonably well-educated people joined the workforce at a time when they could take advantage of requirements in the rapid growth of a number of new sectors such as financial services, telecom, IT services, IT-enabled services, etc. At the same time, manufacturing capacities were being set up, rapidly fuelled by rising consumption of goods and general optimism. This created a large number of jobs for less educated labour as well. A construction boom also helped create a huge demand for skilled and semi-skilled manual labour.

However, apart from allowing private sector participation, our healthcare, education, labour and trade policies did not really keep up with what was required. The Union as well as the state governments did not devote the attention or resources that were needed. Nor did we pay enough focused attention to trade or labour flexibility policies, though we are now trying to catch up with lost time. Family planning to an extent worked as can be seen by our recent fertility rate of 2.2%, which is just a tad higher than the 2.1% replacement rate, and is coming down.

Our missteps in the four areas have resulted today in a higher dependent population than would be suggested by the normal dependent ratio calculations.

The dependent ratio has been conventionally seen only through the filter of the working vs non-working population. But that gives a very narrow picture—a more holistic picture is obtained by adding the unemployment rate as well as the Labour Force Participation Rate (LFPR) to the mix. The LFPR looks at the number of people within the working age population who are willing to work. The unemployment rate looks at the people who have failed to find employment despite being willing to work.

In India, the LFPR is far worse than most of our emerging market peers—less than 50% of our working age population is actively looking for work in India. In terms of women in the workforce, the LFPR is particularly bad, hovering just around 25%. Add high unemployment—which has been consistently over 6% since 2019—and you get a better picture of the dependent versus working age population ratio.

Multiple factors have led to the current conditions in LFPR and unemployment in India. Education – Employment opportunity mismatch is one. Many companies, particularly engineering companies, bemoan the lack of candidates who meet their minimum requirements in terms of knowledge even if they have the requisite degrees. Even in manual labour that requires skills, this is sometimes the issue. The revolution in technology—especially digital technology—as well as formalisation taking place in a number of sectors, is another major issue. Technological advances are reducing the labour intensity of most functions. Automation and robotics are reducing the role of manual and even white-collared labour in low knowledge jobs. Formalisation is important but it has also reduced the number of jobs available to the labour pool. Consolidation taking place in sectors also reduces the need for labour in the entire sector.

These trends will only accelerate in the future, so the window of opportunity we have left with is rapidly diminishing. And that is why the demographic dividend debate needs to expand and very urgent and hard decisions need to be taken so as not to lose the opportunity and use it to attain maximum growth. Investment in health and education sectors have not been enough so far. There is very urgent requirement to increase the budget allocation on these two sectors so that we can prepare our employable population equipped enough to contribute in manufacturing or services sectors or even in agriculture sector in adding to the GDP. Beyond $5 trillion GDP enhancement to $10 Trillion by 2033-34 will require much more qualified and skilled manpower. We need to admit that we as a nation are already behind the schedule as the dividend window is fast diminishing.

4.6 Increased Revenue from Direct and Indirect Taxes :

The total receipts in India advanced 9.5 percent from a year earlier to INR 12.04 trillion in April-September 2022-23,

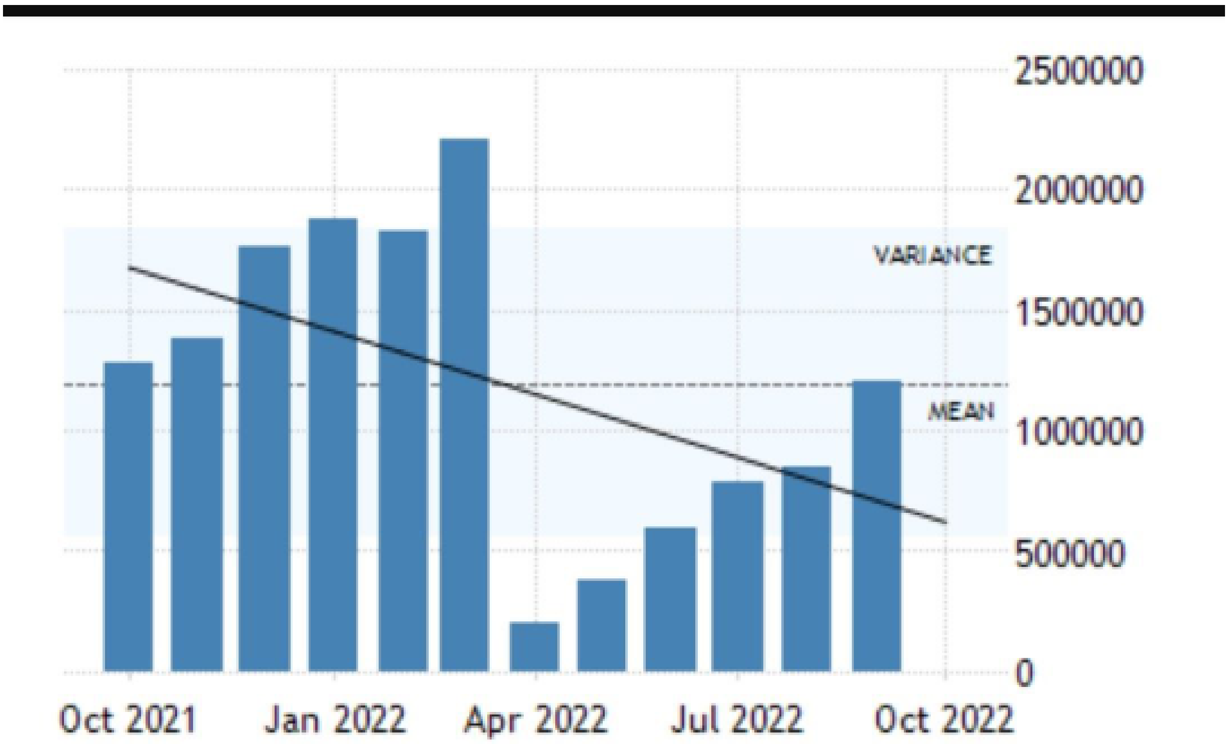

Fig. 5 (Total Revenue Receipts)

52.7 percent of the budget target, as shown in the above figure-4. The net tax collections surged 9.9 percent to INR 10.12 trillion. In May, the government cut taxes on petrol and diesel amidst the global surging energy prices. Hence from revenue side, the position appears comfortable.

4.7 Inflation

The Reserve Bank of India in its August bulletin noted that inflation in July 2022 eased by 30 basis points from June 2022 and 60 basis points from the average of 7.3% for Q1 FY23, thereby validating its hypothesis that the retail inflation peaked in April in India. The CPI inflation has dropped to a three-month low of 6.77% in October 22, whereas WPI-based inflation rate, after remaining above 10% for previous 1.5 years, plunged to a 19-month low of 8.39%. The RBI increased the repo rate by 50 bps for the fourth time in September 22 to 5.9% citing the reasons as the effect of the pandemic, geo-political conflict and weakness in INR, which manifested in the demand supply mismatch of goods and services.

The US Federal Reserve too has maintained its position on high inflation denting the country's economic progress. Paul Krugman, a leading economist and a Nobel laureate observed in Business Insider India that the Fed has hiked rates enough and should really pause. Enough monetary tightening has been done by the Federal Reserve and Central Banks and they should halt rate hikes. He observed that too-high interest rates could halt economic activity and push US into an economic recession. The synchronised similar actions by other Central Banks will percolate recession in other countries also, the reason being that some components of inflation are too old, meaning that the current figures of inflation may be overstated. In fact, the inflation must have cooled down considerably. If the hikes are not stopped, it will dampen growth.

The following table-1 gives the CPI data for 2021-22 and for August 22 and September 22 for comparison item-wise (some items only) and separately in the rural and urban areas with basis as 2012=100. The good news is that Consumer Price Index (CPI) for October fell to 6.77 per cent, from 7.41 per cent. However, the bad news is that the inflation with an upward bias is going to haunt us constantly for quite some time now. The reason is more of global and to certain extent, domestic too. While the entire globe is reeling under recession, India's unorganised sector is feeling its pinch too. Interestingly, while reaching GDP our mandarins do not consider unorganised sector's performance at all.

Table-1

Group/Sub group	2021-22			Rural			Urban		
	Rural	Urban	Combined	Sep.21	Aug.22	Sep.22(P)	Sep.21	Aug.22	Sep.22(P)
	1	2	3	4	5	6	7	8	9
1 Food and beverages	162.8	168.7	165.0	162.1	173.9		167.3	180.4	181.7
1.1 Cereals and products	146.4	150.4	147.6	145.4	159.5	162.8	149.3	162.1	164.9
1.2 Meat and fish	200.4	206.5	202.6	202.1	204.1	206.8	207.4	210.9	213.6
1.3 Egg	173.3	176.0	174.4	172.0	168.3	169.0	174.1	170.6	170.9
1.4 Milk and products	158.3	159.0	158.6	158.0	167.9	169.6	159.1	168.4	170.0
1.5 Oils and fats	192.2	172.4	184.9	195.5	198.1	194.2	175.0	182.5	179.3
1.6 Fruits	155.3	163.5	159.2	152.7	169.2	164.1	161.2	177.1	167.4
1.7 Vegetables	156.1	192.8	168.5	151.4	173.1	176.8	183.5	213.1	220.3
1.8 Pulses and products	164.1	164.4	164.2	163.9	167.1	169.0	164.5	167.3	169.2
1.9 Sugar and confectionery	117.4	119.1	118.0	119.3	120.2	120.8	120.4	122.2	123.1
1.10 Spices	171.2	167.5	170.0	170.1	195.6	199.2	166.2	189.7	193.5

It can be seen that the inflation in rural and urban areas is not widely different, as observed by some critics that the inflation in rural areas is somewhat more because the effect of measures taken take time to reach to rural areas.

Another reason for rise in inflation in India is the international oil prices. However, we now observe that the brent prices are now hovering considerably down for last few months. There was a time when it was nearing $110-$120 per barrel. But it is no more so and is around $90 per barrel. Moreover, we have sourced certain amount of the crude from Russia at a discounted price. Hence, the oil companies must reduce the retail price to rein in the prices and reduce inflation.

4.8 Imports and exports

The Exports from India fell to $29.78 billion in October 2022 from $35.45 billion in the previous month, the lowest since February 2021. A year earlier, exports were 17% higher at $35.73 billion. Considering April to October 22, exports rose 12.55% to $263.35 billion.

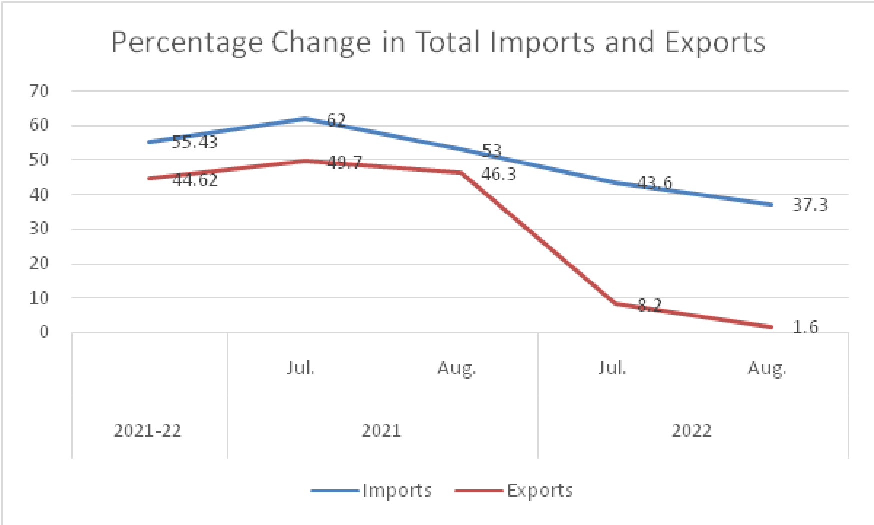

Fig. 6[4]

India achieved an all-time high annual merchandise exports of USD 417.81 billion in FY 2021-22, an increase of 43.18% over USD 291.81 billion in FY2020-21 and an increase of 33.33% over USD 313.36 billion in FY2019-20 as shown in the figure -7 below.

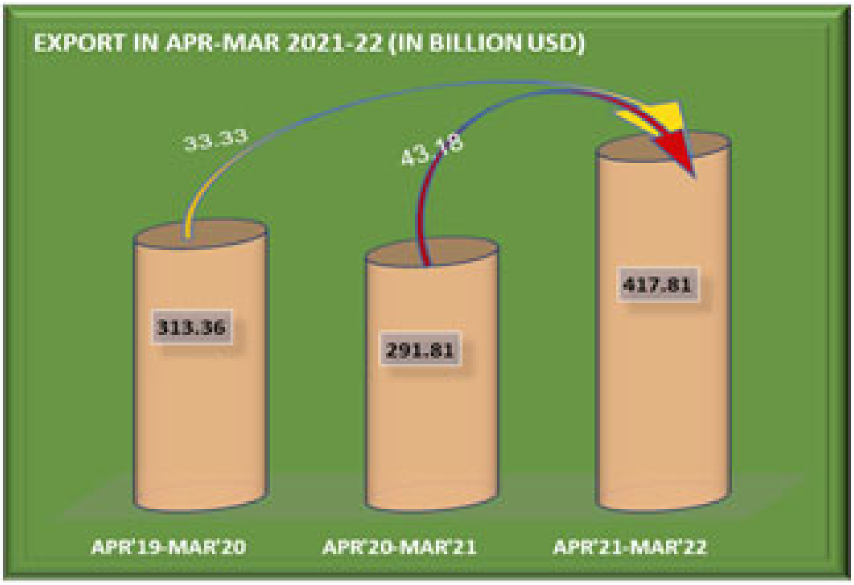

Fig. 7

India's merchandise import in March 2022 was USD 59.07 billion, an increase of 20.79% over USD 48.90 billion in March 2021 and an increase of 87.68% over USD 31.47 billion in March 2020 as shown in the following figure-7.

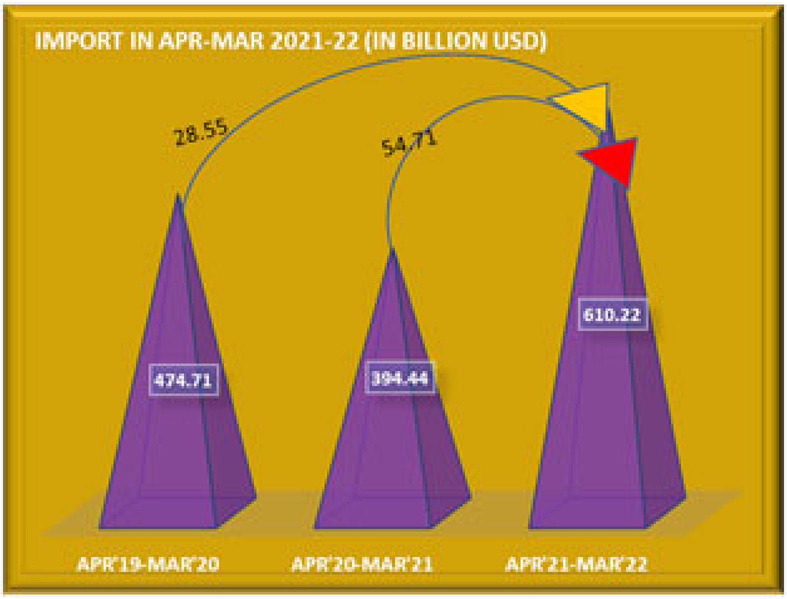

Fig. 7

Service exports contracted during the Covid-19 pandemic but the fall was cushioned by increased digitisation and hybrid modes of working.

Services are exported under four modes: direct exports such as an IT executive servicing a client abroad; services, primarily hospitality, provided to foreign tourists coming into India; an Indian educational, medical or financial organisation opening up outlets abroad; individuals travelling abroad to provide services, which is different from salaried jobs. An expected rebound in inbound tourism and growing demand for India's services in sectors such as medicine, law and even gaming may help the country boost services export revenue to $1 trillion in 2027, three years ahead of estimates, said a senior official at a top trade promotion body. The government announced a plan in 2021 to boost services exports and reach a target of US$ 1 trillion by 2030, so as to maximize the potential of the services sector. To achieve this target, the government plans to focus on various service segments such as healthcare, tourism and IT & BPM, to achieve the US$ 1 trillion services exports target by 2030.

Back to the services sector, the services Export for Apr-Dec 2021 reached more than $178 bn despite the Covid-19 pandemic when the Travel, Hospitality & Tourism sectors were significantly down.

The Government has also taken several steps to boost the start-up ecosystem. Problems of 'Angel tax' have been removed, tax procedure has been simplified. Self-certification and self-regulation have been allowed and cumulatively, the burden of over 26,500 compliances has been reduced and 770 compliances have been decriminalised.

Several factors, together which make an 'ecosystem', are working simultaneously. India's unique digital infrastructure – Aadhaar, Digilocker, Fastag, Cowin, UPI have enabled Access & Affordability- is one part of it. How this part is boosting itself, can be gauged from another fact that, according to a report, India's tech spending is likely to rise by 8.7% in 2022, which will be the highest growth rate in the Asia Pacific region.

India's communication spending will rise by 6.9% as telecom companies expand their investments for 5g trials. India's software category which didn't experience a significant blow in 2020 saw a growth of 15% in 2021. According to this report, Infrastructure modernization, business process automation, and tech strategy consulting services are expected to be in high demand.

It started with the original idea of the ICE

(Information, Communication & Entertainment). But now it is being led by a new troika of Innovation, Technology & Entrepreneurship (ITE).

And it is not all virtual, but the five-point plan emphasises on basic & core needs of people, providing better access to financial services, education & healthcare; solutions to problems of farmers; Focus on High growth & Job creating sectors.

Experts, however, said the target is ambitious and would require boosts, enhanced trade agreements and incentives from the government across various services sectors. The Government has already signed a Trade Agreement with Australia and talks are at advanced stages with the UK and UAE and Trade Agreements are likely to be signed within coming months.

4.9 Strong and Politically Stable Government and Judiciary

Another very strong factor in favour of the India's dream to be a $5 Trillion economy is that India has a strong and politically stable government. Moreover, it is the largest democracy of the World. We have a just and well established and time-tested judicial system prevailing in the country which provide credence to our claim.

5. Conclusion

If near-term challenges to the Indian economy, arising mainly from a difficult global situation, and home borne inflation are resolved without causing much harm to it, the country's gross domestic product (GDP) in nominal terms could well cross the $5-trillion mark by 2026-27, if not a year earlier. This assumes that the imminent recession in the West is rather short-lived, crude oil prices don't flare up and a cycle of widening fiscal and current account deficits is pre-empted. However, if the recession in the West lasts beyond the first half of 2023 and/or global supply disruptions re-emerge in a big way, if India is not able to control the inflation and INR depreciates considerably for long, India's $5 trillion dream could take longer to be realised, say by 2027-2028.

In recent years, for instance, Indian economy's size nearly doubled in the eight years to 2018-19. It had doubled in just four years in the previous decade (2004-05 to 2007-08), the fastest-growth period. A combination of high growth and relatively strong rupee – which averaged at '36-37 against the US dollar – allowed the doubling of the economy in dollar terms in the four years to 2007-08. While high inflation may push up the nominal GDP growth in rupee terms, it may come with a weakening rupee relative to the US dollar, which would temper nominal GDP growth in dollar terms. In those adverse situations, the Indian economy may achieve the $5 trillion threshold by FY2027-FY2028. However, the dream of becoming a $10 Trillion economy is very difficult to achieve by 2033-34 unless India takes action on all these factors, specially, the human capital formation by taking advantage of the demographic dividend in mission mode, uplifting the poor, educating and giving jobs to girls/women, who will play a very important role in achieving that target. The manufacturing sector also needs to be given utmost importance and we must be able to convert India into a regional/global manufacturing hub, including manufacture of world-class chips, mobiles, electronic gadgets, aeroplanes, defence equipment, space crafts and telecommunication equipment, pharmaceuticals etc. Agriculture production needs to be boosted manyfold by use of technology and more and more workforce needs to be brought to manufacturing and services sector. This can be done through ensuring proper education and skill development among all those in the working age-group.

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Footnotes

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