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Five Trillion Economy- A Distant Dream or Near Possibility for India

Prof. Subhendu Bhattacharya
Assistant Professor, Amity Business School, Amity University Mumbai, India
e-mail- sbhattacharya@mum.amity.edu

***Abstract*— *India is a progressive nation and rightly holds its graceful position among emerging nations. It has completed 75 years post-independence. It has successfully overcome colonial hangover and crossed milestones in cultural enrichment, science and technology, business, entertainment, sports and medical practices. Economy faced transition from soviet style central command approach to market driven liberal nation. It improved on ease of doing business over the years. It faced technological boom supported by seamless telecom service, digital India movement, e-commerce expansion and rapid progress of startup activities. The macro-economic fundamentals remained strong and economy showed resilience during testing time such as financial meltdown in 2008, demonetization in 2016, trade war driven recession in 2019 and pandemic in 2020. But all are not rosy about Indian economic scenario. Economy faced stagnancy due to inadequacy in labour reform, slackness in land reform, and infrastructural deficiency. Few noteworthy moves by NDA government paved way for economic progress such as launch of Goods and Service Tax(GST), insolvency and bankruptcy code, the Benami Transactions (Prohibition) Act etc. As India completed 75 years in 2022, the hope is high about India's progressive journey forward despite deficiency in infrastructure, legal system, land acquisition, labor reform and utilization in labor resources*.

***Keywords*— *Economic growth, Infrastructure development, Capital expenditure, Policy measure*.

I. India as one of significant Asian emerging economies

India is vibrant democracy. Its strength lies in republican ethos, independence in judiciary system, constitutional rights to citizens and freedom of media and press. India is one of the prominent emerging nations with potentiality to be economic superpower. India is leading south Asian economy and sixth largest economy of the world GDP wise. India is 3rd largest economy of the world with respect to purchasing power parity (PPP) with a share of 7% in global GDP value. Its biggest strength is its population which serves as huge consumer base. As per United Nation prediction, India will surpass China and become the most populous nation in the world by 2027. India can capitalize on its demographic dividend if it put significant emphasis on education, skill building, training and creation of gainful employment opportunity for educated youth. There is need to increase per head labour productivity. Labour productivity has the connection with gross domestic production. As per economic theory, efficiency in utilization of factors of production will determine the size of economic pie. Technical integration is a cornerstone of progress in the age of automation although India is not as technologically advanced like South Korea, Taiwan and Japan. But India has made substantial development in software services. India received a digital push with the launch of Digital India Movement in July 2015. The main objective of this mega initiative was to empower Indian community digitally and constitute a knowledge economy. As per the optimism of Indian government, India's future is rested on Indian talent who would harness vitality of information optimally. Technology Startup India scheme is another big thrust to bolster entrepreneurship and innovativeness under the guidance of Ministry of Commerce and Industry launched in January 2016. Additionally, the Indian government started the Pradhan Mantri Mudra Yojana, which intended to offer low-interest loans to entrepreneurs from low-income backgrounds in order to encourage their financial pursuits.

India completed three decades after liberalization which was adopted in 1991. There had been improvement in sectoral performances, streamlining of regulations and improvement in ranking of ease of doing business. Prime minister Narendra Modi envisaged about reaching $5 trillion GDP milestone by 2025 but it was obstructed by Covid 19 driven pandemic in 2020 and subsequent economic slowdown in 2021. Travel, hospitality and entertainment was badly hit. Loss of revenue and temporary or permanent retrenchment happened as a result of social distancing, lockdown and absence of footfall for several months. Ukraine-Russia war in 2022 also brought severe uncertainties in the geopolitical firmament. World witnessed supply chain bottleneck and inflation of commodities at unprecedented level owing to export difficulty and economic sanction. As India recovered from pandemic setback by March 2022, IMF estimated that India would likely to reach $5 trillion mark by 2027. There is the fear of jobless growth as unemployment rate went four decades high at the backdrop of steady recovery and moderate growth. In 2020, India began construction on the $1.9 trillion National Infrastructure Pipeline (NIP), which would aid in the country's economic shift from an agriculturally based to a service-oriented one. The introduction of the Rs 100 lakh crore Gati Shakti scheme in October 2021 stimulated the process. By 2024–2025, the government wants to quadruple the length of the gas pipeline network to 35,000 km, add more than 200 airports, heliports, and water aerodromes, and lengthen the national highway network to 200,000 km. Additionally, it seeks to establish two new defence corridors, 11 industrial corridors, 4G connection in every hamlet, and a rise in renewable energy capacity from 87.7 GW to 225 GW. The "Make in India" campaign is the best example of India's manufacturing push. To reach $1 trillion in product exports and $700 billion in service exports by 2028, the government has connected its "Make in India for the world" and "Local goes global" agendas. The government launched a Rs 1.97 lakh crore Production Linked Incentive program to enhance production in 13 important industries, including mobile phones, textiles, food, and pharmaceuticals. According to data from the Ministry of Economic Affairs, businesses have pledged or spent Rs 12,960 crore since April 2021, with pharmaceutical companies dominating the list. An indigenous protagonist already exists in India's digital economy. According to official data, the number of digital transactions increased by 88% from 23.26 billion in 2018–19 to 43.7 billion in 2020–21. Over 22 billion transactions were completed over UPI alone in 2020–21, a massively increasing from the previous three years. Additionally, during the past four years, the number of inter-bank transactions using the Aadhaar-Enabled Payment System (AePS) has soared ninefold. Digital transactions have also closed tax loopholes, producing higher-than-anticipated tax collections that will act as a brake on government expenditure. Between April and November of FY22, net tax revenue increased by 65% compared to FY21 and has already reached 73% of the fiscal's goal.

II. THE POSITIVE IMPETUS FOR ECONOMIC PROGRESS

Indian economy made a great transition from agro-based to service driven since liberalization of economy in 1990s. Service sector is major contributor to GDP. It offers more than 60 percent of GDP and employs about 30 percent of labour force. Economic policy measures were main drivers of economic reform and social development. Since the second part of 2020–21, the Indian economy has been experiencing a prolonged rebound, according to quarterly estimates of GDP. The Indian government has prioritized fintech led financial revolution, technology-enabled growth, the shift to clean energy, and climate action. Public capital investment helps to crowd in private investment through a positive feedback loop that starts with private investment. India's economy is predominantly driven by domestic demand, with consumption and investments accounting for 70% of total economic operations. Indian consumption led growth is perpetuated by ever growing population which touched 1.39 billion in 2021.

Indian prime minister Narendra Modi made an ambitious goal in 2019 to make India $5 trillion economy and global powerhouse by 2024-25. Pandemic in 2020 and Ukraine Russia war led geopolitical tension in 2022 caused serious uncertainty about economic performance. Global economic slowdown and looming recession in US and western Europe triggered worry about future economic prospect. India, ranked as 3rd largest economy in Asia, secured its position in top 5 economies and likely to surpass Germany in next 5 years. As per IMF data, Indian real GDP growth declined to -6.6% in 2020 due to pandemic led disruption and rebounded in 2021 to register 8.9% real GDP growth rate. Surging inflation, geopolitical volatility and pessimistic global economic sentiment restricted Indian economic growth and it recorded growth of 7.5% in the fiscal 2022-23. According to IMF data, Indian GDP value has been estimated to be $3.53 trillion in 2022 in current price and GDP per capita has reached $2.52 thousand in current prices. Current account balance puts a dismal picture as it stands at approximate $102 in 2022 which is tantamount to 2.9% of GDP. Fiscal balance is not bringing cheer any more as net borrowing reached 9.9% of GDP and government gross debt registered 86.9% of GDP. India needs to maintain 8% or above GDP growth rate to reach towering $5 trillion mark by 2026-27. With a market value of $215 billion and a compound annual growth rate (CAGR) of 10.5% compared to the worldwide average of 8%, the supply chain and logistics industry in India was one of the fastest expanding in the nation. The production linked incentive (PLI) program's goal is to boost local manufacturing in 13 different industries. Businesses will receive financial incentives through this plan to increase their output. This could take the form of reduced import and export tariffs or tax refunds. on more simpler land purchase norms. In the following five years, this plan is anticipated to increase output worth an estimated $500 billion. India has also maintained an aspirational ambition to minimize its carbon footprint and construct 500 Gigawatts of non-fossil fuel capacity by the year 2030. This is anticipated to use renewable energy sources to meet 50% of India's energy capacity. The COVID-19 financial relief package from the Indian government included the Emergency Credit Line Guarantee Scheme, which benefited the service industry. The support from policy improved the firms' operating profitability. According to reports, MSMEs have performed better than corporations, with yearly revenue growth of 13.4% over the past two years and net profit increase of 63.7 percent in 2022. Public-Private Partnerships (PPPs) may be a useful instrument for enhancing the value and expertise of the private sector, raising private capital by mobilizing limited public money, and improving society by providing high-quality services to the public. PPPs can result in quicker project execution, reduced costs, and better efficiency to sustain superior performance over the course of the projects for a nation as varied as India. Most crucially, PPPs may free up limited public financing for a variety of essential services, including irrigation, sanitation, health, and education.

III. BOTTLENECKS IN INDIAN GROWTH STORY

Indian economy went through several hurdles in last couple of years. Demonetization was carried out in 2016 to eradicate black money from system, unaccounted cash stockpile and prohibit channelization of fund for sponsoring terrorism. It was with a view to make economy cashless and drive people towards digital payment. But sudden declaration of demonetization affected small traders, rural workers and micro as well as medium scale enterprises. Implementation of GST in July 2017 brought ripple of inconveniences to the market. Although it had been for long term benefits, it caused short term challenges to small and medium business enterprises. GST implementation was with the mission touted as 'one nation one tax' but property tax, stamp duty, electricity duty, excise duty on alcohol, basic custom duty and duty on the petroleum products were not brought under this. GST was envisaged to reduce logistic oriented deficiencies and usher in efficiency in the system which would propel India to make it a manufacturing hub. But this noble initiative caused miseries to multiple small traders who struggled to cope with new tax process and incurred loss eventually. But in post pandemic time

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GST appeared as a boon in post pandemic time. There was record breaking GST collection worth rupees 1.68 lakh crore in April 2022 and 1.44 lakh crore in June 2022 due to amelioration in compliance behaviour. The monthly average gross GST revenue for the first quarter of 2022–23 was 1.51 lakh crore, up 37% over the same period previous year's average monthly collection of 1.10 lakh crore. Anti-evasion efforts, particularly those taken against false billers, have been supporting the increased GST along with the economic recovery. India went through rough patch in the wake of COVID 19 driven pandemic. There were huge loss of learning and earning. Strick lockdown measure from March to October 2020 and social distancing norm affected economic activities to great extent. As factories and workstations were momentarily shut down, production of merchandises and rendering of services was impacted adversely. Hospitality sector, micro-small- medium enterprises were gravely hurt and downsized their capacity severely. Retrenchment and reduction in remuneration across sectors hiked unemployment and declined purchasing power of people. Effective demand in the market plunged low and caused revenue loss for businesses. Mass inoculation and administering of Covaxin and Covishield doses to millions of adult citizens assisted to tide over pandemic crisis. It is necessary to boost India's shockingly low health care spending through focused, stimulus-based initiatives. According to the Organization for Economic Cooperation and Development, the epidemic has sharply exposed India's insufficient healthcare spending, which is hovering at 3.6% of GDP (OECD). Other OECD nations spend 8.8% of their GDP on an average, compared to 6.3% for the other BRICS countries i.e., Brazil, Russia, China, and South Africa. India should offer incentives for medical professionals and business owners to establish hospitals in rural regions in order to address the uneven distribution of medical facilities. The largest economic boost for India might come from eliminating personal income taxes, which would make the nation a desirable location for talent from around the world and pave the way for foreign capital investment. In India, income taxes make up 2.5% of the GDP, which is a small percentage when compared to most other nations. The income levy accounts for just 25% of total tax revenue, the corporate sector for 25%, and indirect taxes, principally the Goods and Services Tax (GST), for 50%. Indians who pay income taxes make up the majority of the salaried class at about 2-3%. Personal tax rate cuts or reductions will probably result in a fiscal burden of 2% to 3% of GDP. The deficit in tax collection might be bridged by higher indirect tax income as Indians free from income tax would enjoy higher disposable income and stay incentivised to spend more on goods and services.

In the integrated economic framework of the world, India doesn't get respite from global turbulence. Although Indian economy landed on steady growth path in the second half of 2021, invasion of Ukraine by Russia in February 2022 brought serious challenges to India and rest of the world. Oil shortage and insufficient food supply heightened inflation. War led supply chain disruption make import expensive and hiked the price of raw materials, resources, intermediary and finished goods. Sharp market corrections were noticed. Inflation led Indian monetary authority RBI to hike up rate of interest. People and businesses felt the squeeze in liquidity and credit crunch. Situation tend to normalize when oil and commodity prices started softening up by July 2022 and inflation eased up to certain extent. India geared up to celebrate 75 years of Independence in August 2022 with renewed hope to take economy to higher level.

IV. CONCLUSION

India walked on the path of central command economic system for decades after independence in 1947. Indian economy suffered stagnancy and inadequate economic development due to socialist ideology. There had been bottleneck in business, trade, commerce and activities across all sectors. License Raj, permit raj and quota raj created vicious cycle and impeded growth of economy to inordinate extent. There had been monopoly of state-run establishment in majority of industrial operation. Private players had limited opportunity. Although India boasted about being democratic heaven but economic performance cut a sorry figure for decades. Economic situation was in dire straits in 1990 as oil price shot high due to outbreak of Gulf War. Debt burden and current account deficit brought economy to the brink of collapse. Economy embarked on path of progress with initiation of liberalization in 1990. Liberal policy measure and abolition of restrictive regulations catapulted economic performance. Indian economy witnessed conducive change and experienced growth across all sectors. In the 1980s, the economic growth rate was 5.6% annually on average. The economy grew at a 6.1% annual rate during the first decade of economic reforms, which ran from 1992–1993 to 2002–2003. This pace was just greater than that of the 1980s. In post pandemic time, India achieved 8% growth rate with right reform and revitalize measure. India brought new industrial policy in 1991 allowing domestic firms to import superior technology, trusting market forces and paved the way for industrial upgradation. Current account convertibility in 1994 was a major step towards trade liberalization so also removal of quantitative restrictions on imports and foreign capital in banking, insurance, telecommunication and airlines. There were new establishments of regulatory bodies such as SEBI, IRDA, PFRDA to keep investor's faith intact in the market and make market function without unfair practice or immoral acts. Arrival of GST in 2017 streamlined indirect taxes and made tax filing and collection quite hassle free. Offering Aadhar card to all citizens from 2009 onwards provided Indians a new sense of Identity. The social inclusion measure through Jan dhan yojana of 2014 by creating millions of bank accounts, Pradhan Mantri Ujjwala Yojana of 2016 with supply of LPG cooking gas, Ayushman Bharat scheme of 2017 by offering affordable healthcare ensured social welfare for masses. The enactment of Insolvency and Bankruptcy Code in 2016 was a bold move by incumbent NDA government in response to the rising number of non-performing loans, with the goal of creating a unified framework for the timely resolution of insolvency for businesses, partnership companies, and individuals. The function of monetary policy committee since October 2016, adoption of BASEL accord for banking stability, and deregulation of interest rate made financial market and

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institutions reliable, accountable and transparent. In 2022, Indian macroeconomic fundamentals are strong despite global uncertainty. Inflation across territories, rise in cost of living, war driven supply chain disruption, rising infection with attack of new covid variants, Chinese aggression has sent shockwave across geographies. There is pressing need of infrastructural improvement, private investment, privatization, land reform, digitization and better use of human capital. India would have to put more emphasis on education, skill development, healthcare to realize demographic dividend. Removal of regulatory roadblocks, credit availability, legal simplicity, faster judicial resolution and securing of higher rank in ease of doing business can accelerate economic progress. Self-reliance is a good approach but India needs to be competitive to make its products and services more appealing in overseas location. $5 trillion GDP and going beyond that benchmark would happen when execution of policy measure ensures reform-oriented activity, coordination among sectors, technological integration, resource utilization, value-based production. India can be shop floor of the world with its skilled labor force keeping abreast of fourth industrial revolution by focusing on human capital development. Reduction of income inequality, mitigation of climate related crisis, encouraging foreign capital and technology transfer and creation of remunerative job can change the fate of Indian economy.

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