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Transforming India into an Economic Hub: The Roadmap to Developed India

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Abstract: *The present paper aims to focus on the major developments India has gone through over the past few years and highlights the transformations in various sectors that make India an economic powerhouse among the various superpowers of the world. The paper is based on secondary data and covers the aspects of economic landscape, role of private companies, trade associations, inflation and employment of India along with the major Indian policies and initiatives taken by Indian government to place India in the top economic superpowers of the world in the coming years. The transforming India is leading to new developments and opportunities ahead and therefore making India a successful economy that will benefit the citizens of the country in the future.*

Introduction

India's transformation into an economic powerhouse is marked by a significant shift from a protectionist, centrally planned economy to a more market-oriented model that has led to rapid growth and increased global competitiveness. Following independence in 1947, the country adopted a series of economic policies that prioritized import substitution and nationalization, which stifled growth for decades. However, the pivotal economic reforms of 1991, spearheaded by Prime Minister P.V. Narasimha Rao and Finance Minister Manmohan Singh, dismantled the License Raj and opened up the economy to foreign investment, propelling India from the ninth-largest to the fifth-largest economy in the world by nominal GDP by 2019. The current economic landscape of India reveals considerable growth potential, with a notable increase in private final consumption expenditure and an arrowing urban-rural spending gap that facilitates access to a burgeoning rural consumer market. Government initiatives such as "Make in India" and "Digital India" aim to bolster manufacturing and digital innovation, further solidifying India's position as a global economic player. While challenges such as inflation, regional disparities, and skill gaps persist, the country's GDP growth is projected to remain robust, with forecasts indicating a baseline growth of 6.5% for the fiscal year 2023-24. Vries, H.J.M. et al (2007) discussed about the economic growth of India and projected investments in healthcare, water, sanitation and educational

sectors. They also predicted about the increase in average standard of living of the citizens of India. **Varma A. (2023)**, discussed about the current state of e-commerce in India and focused on the key areas of e-commerce providing and insights into the future of the e-commerce industry in India. Overall, India's economic transformation is not just a story of growth but also a complex narrative of navigating challenges and leveraging opportunities to emerge as a significant player on the global stage. Some of the major areas where India is set to rise and achieve new heights of success in the near future are mentioned as follows:

Current Economic Landscape

India's current economic landscape is characterized by significant growth potential and a transformative shift towards a more inclusive and robust economy. A key factor influencing this transformation is the narrowing urban-rural spending gap, which enables businesses to tap into the expansive rural consumer base. Table no 01, the data shows the consumption level for urban and rural sectors of India.

As income levels rise in various states, a more equitable distribution of wealth fosters increased rural spending, thereby enhancing overall GDP growth and creating a sustainable demand for consumer goods.

Table 1: Trend in level of Consumption since 1999-'00: All-India

Sector	Average MPCE (Rs.) over different period				
	1999-'00 NSS (55 th round)	2004-05 NSS (61 st round)	2009-10 NSS (66 th round)	2011-12 NSS (68 th round)	2022-23
Rural	486	579	1054	1430	3773
Urban	855	1105	1984	2630	6459
Difference as % of Rural MPCE	75.9	90.8	88.2	83.90	71.2
	<p>Note: For the years 1999-00 & 2004-05, estimates are based on Mixed Reference Period (MRP) and for the years 2009-10, 2011-12 and 2022-23, these are based on Modified MRP (MMRP).</p> <p>MRP: The estimate of MPCE is based on household consumer expenditure on – (i) clothing and bedding, footwear, education, institutional medical care, and durable goods recorded for a reference period of "last 365 days", and (ii) expenditure on all other items recorded for a reference period of "last 30 days".</p> <p>MMRP: The estimate of MPCE is based on household consumer expenditure on edible oil, egg, fish and meat, vegetables, fruits, spices, beverages, refreshments, processed food, pan, tobacco and intoxicants recorded for a reference period of "last 7 days", and for all other items, recorded for the same reference period as in case of Mixed Reference Period.</p>				

Source: Fact Sheet on HCES:2022-23, M/o S&PI, GoI

Private Final Consumption Expenditure

Private final consumption expenditure (PFCE) has emerged as a cornerstone of India's aggregate demand, showcasing remarkable growth of 25.9% in the first quarter of 2022-23. This increase elevated its share of overall GDP from 54.0% to 59.9% year-on-year, highlighting there bound in consumer confidence fueled by improved vaccination coverage and a decline in COVID-19 infections. Sectors such as travel, hospitality, and recreation have particularly benefited from this surge in discretionary spending.

Trade Dynamics

The dynamics of India's trade are also pivotal to understanding its economic landscape. Factors such as relative prices of exports and imports, the real effective exchange rate (REER), and global demand heavily influence trade volumes. For instance, the April 2022 Monetary Policy Report projected a GDP growth rate of 16.2% for Q1:2022-23, although actual growth fell short due to challenges in net exports and government spending. Despite these challenges, real GDP still surpassed pre-pandemic levels by 3.8%. Real GDP or GDP at Constant Prices is estimated to attain a level of 173.82 lakh crore in the year 2023-24, against the First Revised Estimates (FRE) of GDP for the year 2022-23 of 160.71 lakh crore.

Inflation Trends

Inflationary pressures present a complex challenge for the Indian economy, driven primarily by rising global energy and agricultural product prices. A significant rise in these prices has been projected to exert upward pressure on domestic inflation over time, with estimates suggesting an average inflation rate of 6.7% for 2022-23. Nonetheless, conditions such as record food grain production and favorable monsoon patterns are expected to alleviate some of these inflationary pressures, supporting a more stable economic environment.

Employment and Investment Climate

India's labor market has shown signs of recovery, with an increase in employment rates across various sectors, including hospitality, retail and banking. Gross fixed capital formation also reflects a positive outlook, despite global economic challenges such as rising inflation and geopolitical tensions. Merchandise imports have surged, primarily driven by high international commodity prices and domestic demand, further indicating the economy's responsiveness to both internal and external stimuli.

Government Initiatives

India's government has implemented a range of initiatives aimed at fostering economic growth and positioning the country as a global economic powerhouse. These initiatives focus on various sectors, including manufacturing, digital innovation, and employment generation.

Make in India

Launched on September 25, 2014, the Make in India initiative is a corner stone of the government's strategy to transform the country into a global manufacturing hub. This initiative encourages domestic manufacturing, attracts foreign investment, and creates job opportunities across 27 targeted sectors, including automobiles, defense, and pharmaceuticals. It aims to increase the manufacturing sector's contribution to the economy from 17% to 35%. The initiative also aligns with the Atma nirbhar Bharat Abhiyaan, introduced in 2020, which focuses on self-reliance and resilience against external economic shocks.

Digital India

The Digital India initiative seeks to double the size of the country's digital economy by fostering digital infrastructure and services. This program aims to improve connectivity, enhance online access to government services, and promote digital literacy. India's rapid digital growth has positioned it among the fastest-growing markets for digital consumers, though challenges remain in achieving uniform adoption across businesses. Through these comprehensive initiatives, the Indian government aims to create a robust economic framework that fosters growth, innovation, and employment, thereby transforming India into a significant global economic player.

Economic Policy Implementation

While the national government is responsible for setting economic policies, state governments play a critical role in their implementation. Collaborative efforts, such as the GST Council, are essential for effective policy execution and promoting balanced regional development. Recent strategic reform initiatives have emphasized a sector-by-sector approach to planning, which aims to enhance grassroots economic development.

Start-up Promotion

The Indian government has actively promoted start-ups through various initiatives led by the Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry. These efforts are designed to create a supportive ecosystem for start-ups, enabling innovation and entrepreneurship across the nation.

Employment Generation

To tackle unemployment, the government has introduced several employment schemes, including the Aatma nirbhar Bharat Rozgar Yojana (ABRY). This initiative aims to reduce the financial burden on employers by subsidizing the wages of new employees. Other key programs include the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and the Prime Minister's Employment Generation Programme (PMEGP), which are designed to enhance job creation and support various sectors of the economy. As per annual PLFS report, the Labour Force participation Rate (LFPR),

Worker Population Ratio (WPR) and Unemployment Rate (UR) in usual status for persons of age 15 years and above were as follows (refer table no 02):

Table 2: PLFS Report

Years	Worker Population Ratio (WPR)%	Labour Force Participation Rate (LFPR)%	Unemployment Rate (UR)%
2017-18	46.8	49.8	6.0
2018-19	47.3	50.2	5.8
2019-20	50.9	53.5	4.8
2020-21	52.6	54.9	4.2
2021-22	52.9	55.2	4.1
2022-23	56.0	57.9	3.2

Source: Periodic Labour Force Survey (PLFS) report conducted by the Ministry of Statistics and Programme Implementation: 2017-18, 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23

Table 2 shows that Labour Force and Work Force in India has increased steadily and Unemployment Rate has declined

Foreign Investments

India's foreign investment landscape has undergone significant transformation since the economic reforms initiated in 1991. Prior to these reforms, foreign investment was negligible, with only \$74 million recorded in the first year of reform. In stark contrast, by the fiscal year 2021-22, foreign direct investment (FDI) reached a new record of \$ 85 billion, reflecting a dramatic increase from just \$ 4 billion in 2003-04. The substantial inflows of FDI have bolstered India's external account resilience and contributed significantly to the country's foreign exchange reserves.

Growth of Foreign Investment

The period following 1991 has seen steady growth in foreign investment, with total FDI inflows accumulating to \$ 371 billion as of March 2016. In 2015, India surpassed China to become the top destination for FDI, attracting \$63 billion. Notable spikes in investment occurred, particularly between 2005 and 2006, where inflows increased by 175.54%. The growth trajectory was interrupted only by global economic downturns, such as the Asian financial crisis and the Great Recession.

Impact of Globalization and Remittances

Globalization has played a pivotal role in enhancing India's foreign investment landscape. The rise in remittances, exceeding \$70 billion, has been linked to the movement of Indians abroad for work, effectively stabilizing the economy against the volatility of foreign portfolio capital. Critics of globalization once feared it would undermine India's sovereignty; however, it has instead a robust export sector and an influx of remittances that have diminished reliance on foreign aid.

Recent Trends

As of the fiscal year 2022-23, India has continued to attract significant foreign investments, with inflows of \$71 billion. The leading sources of FDI include Singapore, the United States, Mauritius, and the Netherlands, which collectively accounted for 76% of total FDI equity during this period. The sectors drawing the most interest from foreign investors include finance, insurance, and technology-related industries, with the computer software and hardware sector alone receiving cumulative FDI inflows worth approximately \$102.9 billion between April 2000 and March 2024.

Conclusion: Future Outlook

The economic landscape of India is projected to undergo significant transformations in the coming years, bolstered by various positive indicators and strategic initiatives. The Economic Survey 2022-23 forecasts a baseline GDP growth of 6.5% in real terms for FY24, aligning with estimates from multilateral agencies such as the World Bank and IMF. This optimistic projection is underpinned by factors such as the rebound in private consumption, increased capital expenditure, and near-universal vaccination coverage that is expected to drive spending in contact-based services like hospitality and retail. For India to sustain growth rates of 8% or higher, a robust action plan will be required, focusing on structural reforms in critical sectors such as health and education, enhancing the resilience of financial institutions, and promoting regulatory oversight. Notably, the necessity for high productivity growth is emphasized; to achieve this, India must aim for an annual GDP growth of 8.0% to 8.5% over the next

decade, which will require a net employment growth of 1.5% per year from 2023 to 2030. Furthermore, the upcoming fiscal years (2024-2025) are anticipated to see GDP growth ranging between 7.0% and 7.2%, suggesting a sustained momentum despite global uncertainties and inflationary pressures. This growth will be further supported by the government's initiatives, such as the PM Gati Shakti scheme and the National Logistics Policy, aimed at boosting manufacturing output and improving infrastructure. Additionally, the Indian startup ecosystem has been catalyzed by government initiatives promoting technology-led innovation, which has been critical for employment generation and economic development. The past decade has witnessed significant advancements in sectors like information technology, with the government fostering local manufacturing and encouraging the development of a robust electronics ecosystem,

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