

## “Making India a 5 Trillion Dollar Economy: What, Why- The path ahead”

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### **Abstract:**

India is on the path to be a 5 Trillion US\$ economy by the FY27. The growth process must be inclusive all sectors of economy and all people with their different aptitude. Though the growth is a matter of a country, many macro factors which decide international economic scenario must be considered when we set the growth target. Being an economy of such big size will have many domestic and global implications for India. Economic and political stability, diasporic effect, impact on economic polarization of world shall play their role in the whole journey to reach the target. This article discusses some aspects like the meaning of economic growth, implications of economic growth and factors that need to be addressed at the time of achieving the growth. The time limit for settled target has revisited by national economic experts and international organization like International Monetary Fund. India is a diverse country with diversity in culture and geographic position. It is a gigantic task to join all these diverse factors with synchronicity. It requires structural change in the society by their attitude and perseverance. International financial relation and stability, share of India in international trade are such indicators that can be watched to stay on the path Therefore the growth process is not a phenomenon, but a process like development that bring change in socio-economic structure.

**Key words:** 5 Trillion \$ economy, India, Economic growth

### **Understanding the Goal:**

Honorable Prime Minister of India Shri Narendra Modi has put a goal in front of the nation- *Make India a 5 Trillion Dollar Economy*-. What does it mean by being a Nation of such big Economy? What will be end result when the nation reaches to the goal? i. e. Why the goal is so important for India? What kind of result is expected? And how to achieve the goal with all economic as well as noneconomic uncertainties? Let us move step by step.

In the year 2019 PM Modi envisioned to make India 5 trillion US\$ economy by 2024. Now the time limit has been extended to Financial Year 2026. At present India is a 3<sup>rd</sup> largest country/ economy by Purchasing Power Parity (PPP) and 6<sup>th</sup> largest economy by nominal GDP (IMF), from the view point of per capita income, India ranks 122<sup>nd</sup> by PPP and 145<sup>th</sup> by nominal GDP..! At the time of setting the goal, the real GDP growth rate is estimated to 8 to 9 %.

Now, what is real GDP? Gross Domestic Product is a macroeconomic term that means country's total output of goods and services produced in a given period. GDP is calculated for a period of 1 year. Here, real GDP is value of total goods and services produced in a given period adjusted by rate of inflation. It means real GDP considers price fluctuation- it is said as inflation corrected GDP. It measures quantity as well when it counts total nominal value of produced goods and services. Thus, when we talk to increase real GDP, we have to produce more goods and services by its volume and with corrected price fluctuations- fluctuations is mostly inflation. But, we cannot ignore recession or depression too when we talk for the sale of produced goods and services and stalked in the market.

Here, making India 5 trillion US\$ economy means the country's target is set to produce goods and services of a quantity that will be measured in international currency by keeping the price fluctuations in account.

We are going to make India 5 trillion economy by FY 2026. Looking to the socio-economic diversity, the time cannot be said a long period when we are in the year 2022. How to achieve the goal, what to do, which sector can contribute more..? Are the questions that are discussed by planners and people. But, we first take a pause and think for implications for a nation to grow and presenting itself as world's large economy.

### **Implications of Economic Growth:**

Economic growth is not just growth rate and increase in a country's income in specified time period. The growth presents perseverance and will of people. Economic growth of India will have many domestic and international implications. These can be listed as general benefits of economic growth that shows economic benefits. Another aspect can be discussed under the title of socio-political implications at domestic and international level.

### **General benefits of economic growth:**

- Improved quality of life: With growth of any economy, by its definition, nation's income increases. If the nation is of socialistic pattern, the planners may use this increased *real* income to improve people's life by providing better quality of food, infrastructure and of course, improved natural environment for sustainable living. In case of democratic and market based or mixed economy, the people are stakeholders of the whole growth process. The growth or increased income will be the end result of people's efforts, people's improved productivity and obviously self-discipline. By overcoming all hurdles people will get quality life. This will reduce poverty, increased employment opportunity, better health and other infrastructure services, better public services and an environment created for sustainable life.
- Improved governance: Whether it be a small economic firm producing a product or be it a nation, the management and governance is highly important in availing resources for production, maximum utilization of resources and equal distribution of resources to the needs. Here, identification as resource, application of resource, maintenance of resource and up skilling of resource is part of resource management. If the governance is not interested in these steps and works lethargically, it cannot keep pace with speed of changes occurring globally. Economic growth shows systematic governance, which itself is an indicator of *grown economy*.

- **Reduction in poverty and income inequality:** Poverty is different than income inequality. Poverty can be defined majorly by absolute poverty where people face hunger, vulnerability against natural disaster, lack of opportunity to improve their life. The term income inequality indicates the situation where not only absolute poverty exists, but also existence of gap between various social and economic classes of society. India is a country with diversities at cultural and geographical level. Theoretically, neither the diversity nor the gap is harmful. Even some authors argue for some diversity for sustainability. But for the nation, when some area or some classes of people remain excluded from the growth process, it means that the economy is not using its resources optimally. The growth process taps growth potentiality by including human capital and physical capital in the growth process. Thus, when an economy works for growth it has to employ its resources. This increases employment opportunity and reduces poverty.

### **Socio-political implications at domestic and international level:**

- **Power and stability of government:** The process of economic growth is not a game of one or few people's group. All resources need to be employ and all people with different skill and knowledge are required to work in synchronization. It is possible when people follow words of a leader chosen by them. People have trust and feel stability in government when they are acting together. It is reciprocal. Trust of people in governance and government higher up self-confidence of political party, therefore it is imperative for a political party to earn trust of people to sustain in power. If the fruit of growth does not reach to the people, who are stake holders of the growth process, the government and the growth itself will fell down. People's trust is imperative in democracy.
- **Diasporic impact:** Number of Indian people inhabiting outside the country can't be ignored. Non Resident Indians have contributed in economic development where they are living for decades or even for centuries. Their historic or contemporary reason for migration needs to be considered to win their trust, knowledge and of course capital for economic growth prospected. The economic growth rate targeted or achieved will earn respect for the native nation.
- **International political economy:** The earlier economics was studied as political economy. Even today the political power quest has main motive of economic empowerment worldwide. The economic growth process and achieved economic share in world GDP reflects the power and status of a nation. Also it reflects control of national leader on people's decision. Indian mass is made of middle class, which is highly important for world's economic stability. United efforts show strong, deep rooted democracy, which is very different than the time of Mughal period and British rule in India.

### **Outlining the growth:**

The IMF has projected achievement of 5 trillion US\$ economy not by FY 27 or FY 28, but in FY 29 for India (Business Standard 3<sup>rd</sup> May, 2022). Growth projection is done by estimating many macro and internal factors for any economy. For example, earlier the time limit was set to FY 24, than to FY 27. At present the size of Indian economy is 3.04 trillion US\$. Why the time limit reset? Which factors decide growth? How to achieve the goal? Let us visit points of factors affecting growth.

- Stable international economy: International economy must remain free from price and other economic fluctuations. Modern economies are not close economies. Countries have trade relations with each other. Not only India's relation matters with any country, but other countries' situation and political stability may affect in achieving the target.
- Other than socio-political factors, such situation may arise that stop economy to grow. We have very recent experience of COVID-19 pandemic. Any worldwide unforeseen phenomenon needs to be provisioned while we plan for growth.
- Stability of government needs to be ensured to keep the plan continue.
- Some economic factors like non-fluctuated supply of energy, strong domestic market for goods and services, less reliance on foreign market for supply of inputs and demand for goods and services.
- Natural disasters, people agitation, lack of attitude towards hard work in people are factors that shape picture future growth.
- Identification of growth potential sector is a skill in itself. Agriculture, industries, service sector, environment, governance, political stability, social attitude etc. are factors that participate in the growth process.
- Rupee – Dollar relation would present the picture painted by international trade share of India.

#### **In essence:**

The growth process itself becomes motivating when it is inclusive. Economics is a multi-disciplinary and multi-dimensional subject. So, economic growth cannot be thought alone by keeping other factors constant or unaffected. By economics' spatial terminology, economic growth is increase in GDP in money term, in specific time period. But when we talk in the context of Indian economy, it should be defined (as per the opinion of the writer) as *process of development* to 5 trillion US\$ economy. Because, the process to reach to goal shall change the social structure. Thus for India, the growth of economy has many economic as well as socio-political implications.

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