

Sailing Ahead: Delving in to the Stormy Seas of India's Economic Might

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Abstract:

India is one of the world's most powerful economies because of its quick development and unwavering will to reach even higher levels. With a population of over 1.4 billion and a rich cultural heritage, India has grown to be a significant economic force that frequently asserts its dominance on the global stage. India has demonstrated that 2023 will be a pivotal year as its GDP surges and it once again establishes its dominance in the world economy. The complexity of India's GDP growth in 2023 will be examined in this work. The essay focuses on India's economic power structures and capabilities. It also looks at data, explores the reasons behind this amazing achievement, and explains what this implies for India's future.

Keywords: Economic force, GDP, Global economy, population.

I. INTRODUCTION

India has operated as a fully developed planned economy since 1951. The first plans emphasised industrial and manufacturing sector strengthening and growth as the cornerstone of the Indian economy. Other main focuses of planning included social development, employment creation, agriculture, and poverty relief. India faced its worst economic and currency crisis in history in 1991, but the country's economy recovered well after implementing economic reforms and embracing the Liberalisation, Privatisation, and Globalisation (LPG) programme. The Indian economy was then once more disrupted and going through another chaotic phase in 2008 as a result of the global financial crisis. This essay examines the Indian economy from 1991 and 2013.

After recovering from the COVID-19 pandemic's effects and registering strong economic growth in the first quarter of FY23, India overtook the UK to claim the title of fifth-largest economy. For the first

quarter of 2023–24, the real GDP at constant prices (2011–12) was anticipated to have been Rs. 40.37 trillion (US\$ 484.94 billion), a 7.8% increase over the estimated amount for the same period in 2022–23, which was Rs. 37.44 trillion (US\$ 449.74 billion).

II. GDP RANKING OF INDIA

TABLE I
GDP Ranking of India-2023

Position	Region	GDP value (U.S. dollars)	Annual Growth rate
1	United States of America	23.3 trillion	1.58%
2	People's Republic of China	17.7 trillion	6.3%
3	Japan	4.9 trillion	1.3%

Position	Region	GDP value (U.S. dollars)	Annual Growth rate
4	Germany	4.3 trillion	0.2%
5	India	3.75 trillion	7.2%

The release of pent-up demand and extensive vaccination coverage are expected to drive development, particularly in the contact-intensive services sector, during 2022–2023. India's service exports in April-September 2023 reached US\$ 164.89 billion, while overall exports (services and merchandise) for the same period were estimated at US\$ 376.29 billion. Increasing employment, rising private consumption, and positive consumer sentiment are anticipated to support GDP growth in the upcoming months.

III. GDP GROWTH RATE OF INDIA

The government's future capital spending is projected to be bolstered by factors like tax buoyancy, a simplified tax system with low rates, a comprehensive assessment and rationalization of the tariff structure, and the digitization of tax filing. Medium-term plans for enhanced capital spending on infrastructure and asset-building projects aim to amplify growth multipliers, with agriculture gaining momentum due to the revival in monsoon and Kharif sowing. The contact-based services sector, which exhibited promise in stimulating growth, has been observed through various High-Frequency Indicators (HFIs) indicating a promising resurgence from April to December 2022.

TABLE II
India-GDP Growth rate 2010 to 2023

Year	GDP rate	GDP Per Capita	GDP Growth
2023 (till June)	\$3,737.00B	\$2601	6.5% (Forecast)

2022	\$3,385.09B	\$2,389	7.00%
2021	\$3,150.31B	\$2,238	9.05%
2020	\$2,671.60B	\$1,913	-5.83%
2019	\$2,835.61B	\$2,050	3.87%
2018	\$2,702.93B	\$1,974	6.45%
2017	\$2,651.47B	\$1,958	6.80%
2016	\$2,294.80B	\$1,714	8.26%
2015	\$2,103.59B	\$1,590	8.00%
2014	\$2,039.13B	\$1,560	7.41%
2013	\$1,856.72B	\$1,438	6.39%
2012	\$1,827.64B	\$1,434	5.46%
2011	\$1,823.05B	\$1,450	5.24%
2010	\$1,675.62B	\$1,351	8.50%

India has emerged as the world's fastest-growing major economy and is anticipated to be among the top three economic powers in the next 10-15 years, driven by its robust democracy and strong global partnerships. Amid global uncertainty and volatility, India's attractiveness as an investment destination has increased, evidenced by the substantial funds raised by India-focused funds in 2022, reflecting investor confidence in the "Invest in India" narrative.

A. India's Market Size

India's market size, indicated by its nominal gross domestic product (GDP) at current prices, is estimated to reach Rs. 301.75 trillion (US\$ 3.62 trillion) in the fiscal year 2023-24. Notably, the nominal GDP at current prices for Q1 of 2023-24 stood at Rs. 70.67 trillion (US\$ 848.92 billion), showing an 8% growth compared to Rs. 65.42 trillion (US\$ 785.85 billion) in 2022-23. India

currently boasts the world's third-largest unicorn base, with 115 unicorns valued at over US\$ 350 billion as of February 2023. The government is actively promoting renewable energy, aiming to achieve 40% of its energy from non-fossil sources by 2030 and committing to Net Zero Emissions by 2070 through the 'Panchamrit' strategy. India also secured the 3rd position in the renewable energy country attractive index.

According to the McKinsey Global Institute, India faces the imperative of accelerating employment growth, aiming to create 90 million non-farm jobs between 2023 and 2030 to enhance productivity and economic growth. A net employment rate growth of 1.5% per annum from 2023 to 2030 is crucial to achieve a GDP growth of 8-8.5% during the same period. In Q1 of 2023-24, India's current account deficit (CAD) decreased to US\$ 9.2 billion from US\$ 17.9 billion in Q1 of 2022-2023.

Despite challenges, exports played a crucial role in India's economic recovery during the pandemic, compensating for the slowdown in other GDP-contributing sectors. Looking ahead, the contribution of merchandise exports may fluctuate due to economic slowdowns in some of India's trade partner nations. Mr. Piyush Goyal, the Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution, and Textiles, anticipates Indian exports reaching US\$ 1 trillion by 2030.

B. Recent Developments

India's economy is primarily fuelled by domestic demand, with consumption and investments contributing to 70% of economic activity. As the Indian economy recovers from the impact of the Covid-19 pandemic, various investments and developments have been witnessed across different sectors. The World Bank emphasizes the importance of prioritizing the reduction of inequality while implementing growth-oriented policies to enhance the economy. Here are some noteworthy developments in recent times:

As of August 2023, India's foreign exchange reserves reached US\$ 594.90 billion.

The first half of 2023-24 saw a total of US\$ 21 billion in private equity and venture capital (PE-VC) investments in India.

Merchandise exports in September 2023 amounted to US\$ 34.47 billion, contributing to a total of US\$ 211.40 billion during April-September 2023-24.

India secured the 40th position out of 132 economies in the Global Innovation Index 2023, marking a significant rise from the 81st position in 2015. Additionally, India ranks 3rd globally in the number of scientific publications.

The Purchasing Managers' Index (PMI) for services remained comfortably in the expansionary zone at 62.3 in June 2023.

In September 2023, the gross Goods and Services Tax (GST) revenue collection stood at Rs. 1,62,712 crore (US\$ 19.54 billion), comprising CGST of Rs. 29,818 crore (US\$ 3.58 billion), SGST of Rs. 37,657 crore (US\$ 4.52 billion), and IGST of Rs. 83,623 crore (US\$ 10.04 billion).

Cumulative Foreign Direct Investment (FDI) equity inflows into India reached US\$ 937.58 billion between April 2000 and June 2023.

The overall Index of Industrial Production (IIP) stood at 145.1 in August 2023, with sector-wise indices for mining, manufacturing, and electricity at 111.9, 143.5, and 220.5, respectively.

India's Consumer Price Index (CPI)-based retail inflation reached 5.02% in September 2023, according to data from the Ministry of Statistics & Programme Implementation (MoSPI).

Foreign Institutional Investors (FII) inflows from April to July (2023-24) amounted to nearly Rs. 80,500 crore (US\$ 9.67 billion), while Domestic Institutional Investors (DII) sold Rs. 4,500 crore (US\$ 540.56 million) during the same period. Foreign Portfolio Investors (FPIs) invested Rs. 22,000 crore (US\$ 2.67 billion) in India during the first week of July 2023.

Wheat procurement during RMS 2023-24 (till May) was estimated at 262 lakh metric tonnes (LMT), and rice procured in KMS 2023-24

amounted to 385 LMT. The combined stock position of wheat and rice in the Central Pool exceeded 579 LMT (Wheat 312 LMT and Rice 267 LMT).

C. Government's Contributions and schemes

India has witnessed significant initiatives and schemes across various sectors. August 6th, 2023, the Amrit Bharat Station Scheme aims to transform and revitalize 1309 railway stations nationwide, emphasizing continuous development with a long-term vision.

The Ministry of Environment, Forests, and Climate Change introduced the 'Draft Carbon Credit Trading Scheme, 2023' on June 28th, 2023. From April 1st, 2023, the Foreign Trade Policy 2023 was unveiled, aligning with the philosophy of 'Atma Nirbhar Bharat' and 'Local goes Global.' The Production Linked Incentive Scheme for Pharmaceuticals was introduced to enhance India's manufacturing capabilities. Prime Minister's Development Initiative for North-East Region (PM-DevINE) was announced in the Union Budget 2022-23 with a financial outlay of Rs. 1,500 crores.

Additionally, various other schemes and initiatives, including the Pradhan Mantri Garib Kalyan Ann Yojana, Credit Guarantee Scheme for Start-ups, and Telecom Technology Development Fund Scheme, highlight India's commitment to diverse sectors, innovation, and sustainable development.

To boost India's manufacturing capabilities, the government introduced the Production Linked Incentive Scheme (PLI) for Pharmaceuticals. Prime Minister's Development Initiative for North-East Region (PM-DevINE) was announced in the Union Budget 2022-23, allocating Rs. 1,500 crore (US\$ 182.35 million). Additionally, the Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY) was inaugurated by Prime Minister Narendra Modi on January 1st, 2023, providing free food grains to beneficiaries. These initiatives align with the

overarching goal of fostering economic growth and sustainability in India.

IV. THE IMMINENT FUTURE OF INDIA

In the second quarter of FY24, the positive growth momentum from the first quarter persisted, with high-frequency indicators (HFIs) demonstrating strong performance in July and August 2023. In the first quarter of 2022, India secured the 5th position in foreign direct investment inflows among both developed and developing nations.

The initial half of the financial year underscored the steadfast support provided by the government to capital expenditure. In 2023-24, capital expenditure witnessed a substantial increase of 37.4% compared to the same period last year.

The budget for 2023-24 took a proactive stance by significantly elevating the capital expenditure outlay to Rs. 10 lakh crore (US\$ 120.12 billion), a notable surge from Rs. 7.28 lakh crore (US\$ 87.45 billion) in the revised estimates of 2022-23. The ratio of revenue expenditure to capital outlay also rose by 1.2% this year, signalling a shift towards higher-quality spending.

Enhanced revenue generation, driven by improved tax compliance, increased corporate profitability, and a growing economic activity, further contributed to the rise in capital spending.

Despite the global challenges, India's exports demonstrated resilience, registering the second-highest year-over-year growth with a notable 8.39% increase in merchandise exports and a substantial 29.82% growth in service exports until April 2023.

The easing of port overcrowding has facilitated the restoration of supply networks. The Consumer Price Index for Industrial Workers (CPI-C) inflation displayed a reduction from June 2022, with September 2023 (Provisional) recording a rate of 5.02%, down from 7.01% in June 2022. A proactive governmental approach, flexible monetary policies, and a decline in global commodity prices and supply-chain bottlenecks collectively indicate a diminishing trend in inflationary pressures across India.

V. CHALLENGES AND BENCHMARKING FOR IMPROVING THE SUSTAINABILITY

A. Challenges

The persistence of a large fiscal deficit could dampen the realization of growth potential. Issues like improving the Tax-GDP ratio, rationalizing tax administration, revamping the food procurement system, applying user charges, and phasing out non-merit subsidies pose multiple challenges to political leadership.

The passage of pending important legislations in areas such as banking, ports, and the mining sector and persuading federal governments to mainstream economic policies represent frightening challenges.

B. Benchmarking/yardsticks/standards

Credible debt recovery tribunals have facilitated the reduction in levels of non-performing assets.

Independent regulators have been established for various industries, including insurance, capital markets, telecommunications, power, and ports, to ensure effectiveness and expedite reform and liberalization processes. Increased emphasis on agricultural reforms involves permitting more unrestrained movement of all goods and services to take advantage of a large common market, easing local federal restrictions, adopting modern food processing laws and implementing a program for crop diversification in line with changing consumer preferences.

Emphasis on promoting tourism, coupled with the new Civil Aviation and road connectivity improvements, positions India as an essential tourist destination.

The Indian entertainment sector is on the verge of a breakthrough, now able to secure credible finance at competitive rates through venture capital arrangements in the offing.

VI. CONCLUSION

Improving the competitiveness of the Indian economy requires continued efforts, including maintaining a soft interest rate regime, reducing the cost of financial intermediation, implementing

credible labour reforms, and managing expectations about the appreciation of the Rupee to prevent erosion of export competitiveness.

Nevertheless, past experiences suggest that political leadership across successive governments has broadly adhered to the ongoing reform program. The broader social consensus supporting these reforms ensures their long-term continuation and sustainability.

India has reached a critical mass, poised to skip a stage in the development typology, moving a sizeable demographic entity into a growth pattern increasingly driven by science, technology, and innovation as sustained drivers of change. For the year 2024, the Organization for Economic Cooperation and Development (OECD) expects India to grow at 6.1 percent and China at 4.7 percent. On the other hand, major economies, including the US, UK and Japan, are likely to witness either deceleration or very nominal increase in economic growth rates in the coming year. India cannot afford to limit the realization of a better tomorrow by doubts today but must move forward with strong and active faith. India offers new and exciting investment and trade opportunities. Enjoy the warmth of the long Indian summer that awaits you. Equipping people with better skills and assets, helps India for a good growth in the year 2024 and even beyond.

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