

## **The Dream of \$5 Trillion Economy in India: Utopianism or Realism**

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**Abstract:** While the world is passing through a very hard time, the researcher is singing a praising song for the motherland. How the challenges posed by COVID-19 can be turned into an opportunity has been portrayed here. The article is the result of a recent study conducted by this author in India. It is regarding achieving the dream of our visionary Prime Minister Mr. Narendra Modi to make India sustainable and self-reliant in the days to come. Though, the recent spurt of coronavirus epidemic has brought the development agenda of the world in general, and particularly of India to the backseat, and all the plans and strategies of the countries have shifted to only one agendum i.e. to fight against the COVID-19 pandemic. Despite that India cannot for long slip off its target of achieving \$5 trillion economy. But how? This article tells about the roadmap for attaining Indian dream of \$5 trillion economy.

**Keywords:** human development, sustainable development goals, Indian economy, COVID-19 pandemic.

"India's long-term growth has become more steady, stable, diversified and resilient. In the long-run, for higher growth to be sustainable and inclusive, India needs to use land and water, which are increasingly becoming scarce resources, more productively, make

growth more inclusive, and strengthen its public sector to meet the challenges of a fast-growing, globalizing and increasingly middle-class economy." - Junaid Ahmad, World Bank Country Director in India

## **Introduction**

The world is passing through a very hard time, and now it is being harder and more complex to live in the shaken world. Before the ongoing pandemic, in the Human Development Report of 2018, Achim Steiner pointed out that, "We are living in a complex world. People, nations, and economies are more connected than ever, and so are the global development issues we are facing."<sup>1</sup> A similar view was expressed by Steiner's predecessor William H. Draper III nearly three decades ago. He said: "We live in stirring times." Regarding development, he further pointed out that "The purpose of development is to offer people more options. One of their options is access to income – not as an end in itself but as a means to acquiring human wellbeing."<sup>2</sup>

Since the declaration of the Millennium Development Goals (MDGs 2001) all the countries in the world have been actively working to achieve the eight MDGs, and afterward from 2015 nations are aiming to pursue the Sustainable Development Goals (SDGs). However, the recent spurt of coronavirus epidemic has brought the development agenda of the world in general, and particularly of India to the backseat, and all the plans and strategies of the countries have shifted to only one agendum i.e. to fight against the COVID-19 pandemic. But India cannot for long slip off its target of achieving \$5 trillion economy.

Looking back to history we find that till the beginning of the 'Dark Year-2020', India was an 'economic growth' sweet spot. Favorable government measures and the country's demographic profile had strengthened the foundation to further build on the country's growth story. In the pre-COVID-19 period India stood at \$2.8 trillion economy, and the economy was estimated to join the \$5 trillion club by 2024.<sup>3</sup>

### **Economic Status in Pre-COVID-19 Period**

In the past 69 years, India has seen a recession only thrice – in fiscals 1958, 1966 and 1980. The reason was the same each time – a monsoon shock that hit agriculture.<sup>4</sup> But this time the scenario is entirely different. It is unforeseen, unthinkable, and indomitable to any living being. However, in a recent report, the World Bank (25 October, 2019) reveals that, “As the world’s third-largest economy in purchasing parity terms, India aspires to better the lives of all its citizens and become a high-middle income country by 2030. Between 2011-15, more than 90 million people escaped extreme poverty and improved their living standards thanks to robust economic growth. However, India’s growth rate has decelerated in the past two years.” It is estimated that, recently the country has made a significant dent in poverty levels, with extreme poverty dropping from 14.9 percent in 2011 to 7.0 percent in 2017 – the fastest pace the country has seen yet.<sup>5</sup> While India is still home to 84 (8.4 crore) million poor people, it is seeking to achieve better growth, as well as to promote inclusion and sustainability by reshaping policy approaches to sustainable human development, social protection, financial inclusion, rural transformation, and infrastructure development.

### **Indian Growth Story**

India’s growth has been steadily accelerated over the past decades. While growth averaged 4.4 percent a year during the 1970s and 1980s, it accelerated to 5.5 percent during the 1990s-early 2000s, and further to 7.1 percent in the past one decade. The acceleration of growth is evident not just for aggregate GDP, but even more strongly for per capita GDP. The average pace of per capita growth was 5.5 percent a year in the last decade. Interestingly, when compared with some of the world’s largest emerging economies, this steady acceleration of growth stands out as being unique to India. But the growth rate of the Indian economy was decelerated in the second quarter of the 2019-’20 fiscal year in comparison with the same quarter of the previous year. That made it the sixth successive quarter when the country’s gross domestic product (GDP) had shrunk.

To understand the GDP numbers better, it is crucial to understand the components of the measure. GDP is a sum of four values: government expenditure, consumption, investment, and net exports. If the first component of GDP is removed, the value would denote the non-government part of the economy. In the second quarter of the 2019 fiscal, this grew at 3.05 percent – exactly 150 basis points lower than the overall GDP growth.<sup>6</sup>

India's growth rate has become more stable than its counterparts in Europe and America. This is partly due to the stabilization of growth within each sector – agriculture, industry and services – and partly to the transition of the economy toward the services sector, where growth is more stable. Particularly interesting is the sharp increase in the stability of GDP growth since 1991. Before this, growth accelerated episodically, was punctuated by large annual variations, and often failed to sustain. Thus, growth has not just accelerated post-liberalization; it has also become more stable.

Growth has been largely diversified. India's growth has been accelerated by foreign direct investment and exports with a long contribution from consumption by a large domestic population. Growth has been characterized by productivity gains – both by labor force driven productivity and whole factor productivity.

Also, growth has been resilient to both domestic and international shock. The resilience of India's growth can be attributed to the country's large and spatially diversified economy, as well as its diversified production structure that is not dependent on a few products, commodities, or natural resources. It can also be attributed to India's diversified trade basket and a broad range of trading partners, wherein a slowdown in any one part of the world will not result in a large impact on India.

Poonam Gupta and Florian Blum in a blog post wrote that, "The resilience of India's growth process was on display in recent years when the country recovered quickly from the impacts of two major policy events – demonetization and the implementation of the Goods and Services Tax (GST), an important indirect tax reform. We argue that the deceleration to growth rates below 7 percent between Q3 2016–17 and Q2 2017–18 was

an aberration, attributed to temporary disruptions in economic activity as the economy adjusted to demonetization and businesses prepared for the implementation of GST.”<sup>7</sup>

### **Challenges Ahead**

Despite India’s strong development trajectory, challenges are not less. With strong economic performance in the recent past, development has been uneven in India, with the gains of economic progress and access to opportunities differing between population groups and geographic areas. Implementation challenges of indirect tax reforms, the stress in the rural economy, and a high youth unemployment rate in urban areas may have moderated the pace of poverty reduction since 2015. Despite regulatory improvements to spur competitiveness, levels of private investment and exports continue to be relatively low, undermining prospects for long term growth. The country’s human development indicators – ranging from education outcomes to a low and declining rate of female labor force participation - underscore its substantial development needs.<sup>8</sup>

However, in the present COVID-19 induced situation the ratings firm Crisil has predicted the Indian economy to contract by 5 percent; it expects the economy to take at least three quarters to get back on track. In the last week of April 2020, Goldman Sachs, Nomura also forecasts 5 percent contraction in the economy in FY21. Many others, like HSBC and Bank of America Securities, have also forecast a contraction in the economy. On April 28, Crisil had slashed its prediction to 1.8% growth from 3.5% growth. The firm asserts that, "About 10% of gross domestic product (GDP) in real terms could be permanently lost. So going back to the growth rates seen before the pandemic is unlikely in the next three fiscals."<sup>9</sup>

### **The Silver lining**

India has achieved much in the last decades. Yet an economic deceleration in the past few quarters has generated worried commentaries about India’s growth potential. Further, the COVID-19 epidemic has worsened the situation in India along with the entire world. But how far Indian economy will be hampered, and is there any possibility of overcoming

the current socio-economic crisis, a study was conducted recently by this author as a principal researcher along with Dr. Mou Mukherjee Das.<sup>10</sup> It was intended to measure the public mood and opinion regarding the possibility of fulfilling the dream of \$5 trillion Indian economy.

It comes to light from the survey that the majority of respondents (55.97 percent) are hopeful about the makeup of economic losses of the government incurred during the COVID-19 pandemic, whereas 11.92 percent of respondents felt that it would be hard for the Indian government to recover the losses. On the other hand, many people comprising 28.35 percent were skeptical about it and said that they are not sure whether the government can recover the losses (page 161). Another important question was asked to the people, if India could reach its target of \$5 trillion economy after the COVID-19 pandemic. In this regard, only a small number of respondents representing 23.88 percent told affirmatively, while 28.35 percent of respondents do not believe that India could reach its target of \$5 trillion economy (p. 209)

Being optimistic citizens of this country, we researched with a positive mindset. Hence amid the gravest situation of destruction when the infection rate has crossed over one crore population in the world, and it exceeded 5 lakhs in India with death cases of 16,485 (as on 28.06 2020 10.57 p.m.), and where there is any positive information about the end of the pandemic, we see a dream of making India a Superpower and fulfilling the dream of our Prime Minister to achieving a \$5 trillion economy by 2024. Though the situation is badly worsening when I am writing the concluding part of the article, still I see a light of hope against hope. However, the policies prescribed by the respondents have been enumerated in the following table.

### **Policy Prescriptions**

To augment the socio-economic status of India a total of 22 suggestions have been put forward by the respondents in the survey. These are succinctly enumerated in the following manner.

**Table: Suggestions for Socio-economic Development of India**

<b>Quick Recovery of Indians Socio-Economic Indicators</b>	<b>Number</b>	<b>%</b>
1. All people must jointly respond to the call of the Government	178	66.41
2. Low-cost healthcare facilities should be provided to every Indian free of cost	144	53.73
3. More seats of MBBS/MD, Nurse, Technicians, and Pharmacists should be introduced from this year	110	41.04
4. More medical equipments should be prepared through SHG women and students of technological colleges/university	142	52.98
5. Swachh Bharat Mission must be followed strictly everywhere in India	228	85.07
6. Online teaching should be immediately started in all educational institutions and infrastructure should be built immediately after the crisis of Covid-19	152	56.71
7. Classes in all educational institutions should be restarted as soon as the epidemic is over without wasting any working day	102	38.05
8. Skill education needs to be introduced in every educational institution to meet the needs of local people as well as industry	192	71.64
9. Discipline education, moral education, and patriotism must be taught to all students in all educational institutions	114	42.53
10. More industries including Medium, Small and Microenterprises should be encouraged to set up and grow	192	71.64
11. Industrial production should be restarted with necessary government assistance	144	53.73
12. Old and closed industries should be overtaken by government and resume operation and production	92	34.32
13. Everyday only one hour extra should be worked by every existing worker free of cost	80	29.85
14. People should be given back all jobs where they were in pre-COVID-19 lockdown period	134	50.00
15. Agriculture production should be continued with more innovative methods and improved technology	154	57.46
16. Cultivation of a variety of crops – both food crops and cash crops is necessary	128	47.76
17. Export quality production of clothes, medicines, technology should be prioritized	150	55.97
18. All political parties should work hard to combat the Covid-19 for making India a Super Power	120	44.77
19. All parties need to fight only before the elections, maybe for a maximum period of 6 months	184	68.65
20. All political parties should be united to work for nation rebuilding	154	57.46
21. India should give more emphasis on research, and science and technology	112	41.79
22. Indian tradition and culture should be respected and maintained for the safety and security of the people in the days to come	166	61.94
<b>Total respondents</b>	<b>268</b>	<b>-</b>

Source: Field data

In addition to the above, some more suggestions can be provided to the policymakers in India for attaining Sustainable Development Goals, which in turn will facilitate the accomplishment of a \$5 trillion economy by 2024.

### **Improvement of Health Infrastructure**

There is an old saying that “Prevention is better than cure” Hence, the public health policy should focus on the prevention of diseases by providing clean water and sanitation rather than fighting diseases by administering antibiotics. This necessitates the training of public health specialists and the development of health facilities at all levels. Second, crucial attention should be paid to the financing of healthcare. Third, there is also a dire shortage of healthcare staff. To meet these challenges, the government could forge partnerships with various stakeholders including foreign investors and the Indian business community. Fourth, along with government healthcare services, India, with its vast size and population, should offer space for private healthcare providers. Hence, regulations must be put in place to ensure that the private sector follows ethical standards and treatment practices. Fifth, local workers from the community should be trained in basic healthcare since Primary Health Centers (PHCs) cannot always provide the first point of contact in supplying healthcare in a vast country like India. Lastly, there is a need for a rights-based approach in the area of public health services. A high-level national steering group could be set up to address this and other critical issues emerging from this consultation.<sup>11</sup>

Further, what Dr. Henk Bekedam the WHO representative to India suggests for achieving Sustainable Goal No. 3 can be appropriately mentioned here. First, to “promote health and well-being of all Indians,” health must be high on the national and state agenda; it is the cornerstone for the economic growth of the nation. This requires high political commitment and collective long-term efforts by ministries beyond the ministry of health to invest in health.



Second, invest in public health and finish the MDG agenda through further improvements in maternal and child health, confronting neglected tropical diseases, eliminating malaria, strengthening the country's surveillance system to detect and respond to diseases, and accelerating the fight against tuberculosis. All these challenges, programs, and interventions need to be taken to scale, with an underlying emphasis on equity and quality of services.

Third, acceleration and implementation of Universal Health Coverage (UHC) is a must. It is at the core of SDGs, and in the interest of people and governments. UHC is important to prevent people from slipping into poverty due to ill-health and to ensure everyone in need has access to good quality health services. To complement tax revenue based health financing, incremental expansion of prepayment and risk pooling mechanisms such as social health insurance are worth considering. Health is a state subject, states should be encouraged to choose a model of their choice, develop their path and determine the pace. The national framework will ensure convergence in the long term.

It is well recognized that while "more money for health" is necessary, obtaining "more health for money" requires that national and state plans are evidence-informed and managed in an integrated manner. Fourth, develop a health investment plan for each state to strengthen and build robust health systems in infrastructure and staffing with a focus on rural areas with comprehensive primary health care at its center.

Given the magnitude of the private sector in India, a more effective engagement with private health care providers is vital. An appropriate contracting modality, which is an important feature under the social health insurance and National Health Protection Scheme (NHPS), can be worked out and the private sector can be instrumental in complementing the public sector as demonstrated by different countries experiences. Finally, develop a strong and robust system for monitoring, evaluation, and accountability. It is essential to regularly review and analyze the progress made for feeding into policy decisions and devising strategies based on the challenges.<sup>12</sup> Like

Obamacare, universal health care schemes such as Ayusman Bharat Scheme should be strictly implemented throughout India. Government of India at first should concentrate on the bottom 30 percent population of the country.

### **Quality Education**

Education is the panacea of all social diseases. In terms of quality education, UNICEF points out that, "The ability to claim and enjoy the rights of an informed and responsible citizen rests squarely upon a child's access to a good basic education. A quality education—one that encourages children's participation and critical thinking and is infused with the values of peace and human dignity—has the power to transform societies in a single generation.<sup>13</sup> UNICEF, further, strongly emphasizes what might be called desirable dimensions of quality, as identified in the Dakar Framework. Its paper *Defining Quality in Education* recognizes five dimensions of quality: learners, environments, content, processes, and outcomes, founded on 'the rights of the whole child, and all children, to survival, protection, development and participation.' The Incheon Declaration 2015 provides suggestions to "Ensure equity and inclusion in and through education and address all forms of exclusion and marginalization, disparity, vulnerability and inequality in education access, participation, retention and completion and in learning outcomes. Inclusive education for all should be ensured by designing and implementing transformative public policies to respond to learners' diversity and needs, and to address the multiple forms of discrimination and of situations, including emergencies, which impede the fulfillment of the right to education."<sup>14</sup>

Secondary schools, like the primary schools, also suffer from a shortage of teachers that needs specialized subject teachers. The Centre can provide resources for a program of school consolidation, which needs strong political leadership at both national and state levels as it is unpopular with teacher unions, but popular with everyone else!<sup>15</sup>

Quality teachers should be recruited as per teacher-pupil ratio in all educational institutions from primary to university. Removal of certain provisions of the existing

Right to Education Act (2009) such as 'No detention policy' and 'No corporal punishment policy' will help make a vibrant India through millions of purely and strongly educated youths. Keshab Chandra Mandal (this author) in his book *The Thoughts of an Unknown Indian* (2014) pointed out that, "In all educational institutions 'value education', 'moral education', 'peace education', and 'discipline education' should be imparted to the students. It is education that ultimately shapes and transforms the whole society."<sup>16</sup> In fine, what Dr. Arun Maji from Sydney told in a video message can be well-mentioned here. The video message dated 20th June highlighted the opportunity that might not come before India in the next 1000 years. When the Sino-India border tension and the COVID-19 pandemic are going on, India should transform the challenges into opportunities through setting up and popularizing more technical, engineering, agricultural and vocational courses in secondary schools, and higher education system. Instead of theoretical class teachings; emphasis should be given on project-based and practical teachings. Then only more and more entrepreneurs would come up in India to manufacture divergent goods and objects of daily requirements of local people as well as the international community with locally available goods and materials.<sup>17</sup> Then only India could outface China in no time.

### **Conclusions**

While the gloom and doom surrounding COVID-19 is palpable, the crisis might open up some great opportunities for India. The ongoing challenges, if accepted in affirmative attitude, are sure to turn into an occasion for achieving Sustainable Development and economic growth. Reports have already started to pour in that several Western manufacturers are now looking for moving their factories out of China. Many Indian chemical producers have gone on record at having received inquiries from Western manufacturers who earlier never used to look towards India as a source. India has managed to spawn a number of companies that now compete internationally with the best that of the USA and Europe may be urged to invest in mainland India. Tapping these

opportunities, however, will require some serious innovation on the policy front. The sooner the policies the earlier the development and growth of the economy. Indian policymakers need to hunker down and plan effective economic assistance that will not only help small traders and businessmen to fulfill the local demands and India's export sector to survive the immediate crisis, but also retain stability and resume growth in no time. This article seeks to conclude with the hope of 100 percent commissioning of the development mantra of *Atma Nirbhar Bharat* (a self-reliant India) – for which a clarion call was given by our honorable Prime Minister. It is expected that, with the popularization and implementation of the policy of domestic production by indigenous people, and for the native people, India will be self-reliant and economic superpower in no time.

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