

# India's Path to "Viksit Bharat" by 2047

Posted at: 07/12/2024

## India's Path to "Viksit Bharat" by 2047

### Context:

India aims to transform into a **developed nation** by 2047, but achieving this vision requires consistent economic growth. Recent macroeconomic data and policy trends expose significant structural challenges and policy missteps that could derail progress. The following discussion explores these issues, their impact, and the necessary reforms.

---

### Why is India's Growth Target for 2047 Under Scrutiny?

- The **Reserve Bank of India (RBI)** projected a **7% growth rate** for Q2 of FY 2023-24, but actual growth was only **5.4%**, raising doubts about the reliability of economic forecasts.
  - This discrepancy highlights the impact of **policy decisions**, rather than random factors, on India's growth trajectory, underlining the need for strategic reforms.
- 

### How Do Policies Influence Growth Rates?

- **Macroeconomic policies**—such as exchange rates, tariffs, and Minimum Support Prices (MSPs)—play a critical role in shaping growth.
  - High taxation, declining foreign investment, and **tight monetary policies** have slowed India's growth over the last two years, illustrating the direct link between policy decisions and economic outcomes.
- 

### What Role Do Real Policy Rates Play in India's Economic Growth?

- India's **real policy rates** are higher than those of other non-advanced economies:
    - **Core inflation:** India's real repo rate is **2%**, compared to a median of **1.2%**.
    - **Headline inflation:** India's rate is **1.4%**, while the median is **0.9%**.
  - During the **high-growth period (2004-2011)**, India maintained **negative real policy rates (-1%)**, which fueled economic expansion.
  - The current **contractionary monetary policies** are dampening growth, necessitating a reassessment of rate strategies.
-

## How Do Tax Policies Affect India's Competitiveness?

- India's **tax revenue-to-GDP ratio** is **19%**, higher than countries like **China (16%)** and **Vietnam (13%)**, despite their higher per-capita incomes.
  - **High import tariffs** reduce competitiveness and efficiency, further weakening growth prospects. Addressing this imbalance is crucial for boosting economic performance.
- 

## What is the Significance of Foreign Investment in India's Growth Story?

- **Foreign Direct Investment (FDI)** is vital for achieving the "Viksit Bharat" vision. However, recent policies have deterred foreign investors:
    - India's withdrawal from **Bilateral Investment Treaties (BITs)** has heightened investor risks.
    - A decline in FDI reflects eroding trust, emphasizing the need for predictable judicial actions, enforceable contracts, and timely conflict resolution.
- 

## What Are the Recent Policy Missteps Affecting Growth?

- **Unpredictable tax changes**, such as removing indexation benefits on real estate, have created uncertainty.
  - **Restrictions on credit card expenditures** and withdrawal from BITs signal a return to **command-and-control policies**, undermining the government's goal of limiting state intervention.
- 

## How Does India's Aspiration for High Growth Conflict with Current Realities?

- Despite being the **fifth-largest economy globally**, India's **per-capita income** remains below **\$3,000**, reflecting a stark contrast between ambition and current realities.
  - Growth aspirations require a move away from **Nehruvian socialism** towards **market-driven policies**, but bureaucratic inertia often results in statist approaches, contradicting the Prime Minister's vision of minimal state intervention.
- 

## What Lessons Can India Learn from Global Growth Patterns?

- Sustained high growth rates are not guaranteed.
  - Many countries have faltered by assuming consistent growth is a right, overlooking the need for **institutional reforms** and **policy innovation**.
- 

## What Needs to Change for India to Achieve "Viksit Bharat" by 2047?

1. **Policy Alignment:**
  - Align macroeconomic policies with long-term growth ambitions.
2. **Address Structural Issues:**
  - Reduce high taxation.

- Revive foreign investment through investor-friendly reforms.
  - Relax restrictive trade policies.
3. **Enhance Competitiveness:**
- Reform policy frameworks to attract FDI and foster efficiency.
4. **Promote Institutional Reforms:**
- Ensure predictable policies, judicial efficiency, and reduced state intervention.
- 

**Conclusion:**

India's journey toward becoming a developed nation by 2047 demands bold reforms, stable policies, and a shift from outdated economic practices to a modern, growth-oriented approach. Only by addressing structural and policy challenges can India realize its vision of "Viksit Bharat."



**AKKA IAS ACADEMY**  
[www.akkaias.com](http://www.akkaias.com)