

1. India "Developed" Country by the year 2047! Study on Economic Indicators- Current Position and Projection towards 2047

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Abstract:

The purpose of the study is analyzed India's opportunity and challenges to become developed economy in 2047. The international organizations UN and World Bank differ in explaining the developing economy and developed economy. These organizations recommend Gross National Income per capita and Human Development Index for measuring the developing or developed economy. The study adopts both indicators for measuring the developing of developed economy status of the country. The HDI-Human development index is a statistical tool developed by United Nations, it composed of four areas schooling, gross national income per capita and life expectancy at birth. The GNI can be calculated by GDP, plus Net Receipts, property income less subsidies. The secondary data were collected from the various international organisations like World Bank, International Monetary Fund, Reserve Bank of India, trading view and business magazines websites.

The data were analysed with data visualizations tools and projection techniques. The study finds that currently India's economy is in the lower middle income economy stage. India to reach the developed economy it has to reach two thresholds. To reach the developed economy status India requires steady and consistent 10% growth in the next 25 years. The challenges are Global slowdown, poverty, literacy, inequality.

Keywords: *Developed Economy, Developing Economy, Human Development Index (HDI), and Gross National Income per capita.*

1.1 Introduction:

Is it realistic to expect India to become a developed nation by the year 2047? Has Prime Minister Narendra Modi given the country an impossible goal? India's economy would be required to expand at an exponential rate in order for it to be considered "developed" in the following 25 years. And to do that, it must implement generation-next changes and make significant progress on measures of human development. China has demonstrated that it is feasible. India is a contrast-filled country. In some aspects, it resembles a developed nation, although it lags behind on most socioeconomic metrics.

Countries are typically referred to as "developing" if they still have relatively high levels of poverty and if they trail behind on basic development indicators. India has achieved significant progress over the past few decades, especially following the landmark reforms that took place in 1991, but the country still has a way to go in terms of fundamental human development & socio-economic indices.

In India, hunger, poverty, illiteracy, and unemployment have not yet been totally eliminated from the country. The fundamental infrastructure of India is currently undergoing modernization, including the country's electrical grid, roadways, trains, aviation system, and maritime network; however, there is still a long way to go. In contrast, developed economies, such as those that are members of the G7 or OECD, have excellent standards of living and have nearly eliminated extreme poverty, which is something that can be seen in many regions of the developing world, particularly in Asia and Africa. They have a strong showing in terms of general socioeconomic metrics as well as human development.

1.2 Review of Literature:

1.2.1 Developed Nation:

(Masdukiet. al 2022) It is common practice to label a country as "developed" if it satisfies a set of predetermined socioeconomic criteria. Having an economy that is already sufficiently developed is sometimes all that is required for this to be the case. In cases where that alone is insufficient, additional qualifiers may be used instead. These may include, but are not limited to, a country's GDP or a. GNI per capita, b. its level of industrialization, its general standard of living, c. the amount of technological infrastructure it possesses. In most cases, these factors are connected to one another in the year 2020, the United Nations will classify as "developed" a total of 36 countries. **(Colmenares et. al 2021)** Every developed nation could be found in either North America or Europe, or in what was referred to as "Developed Asia and Pacific."

1.2.2 Developing Country:

(Nainggolanet. al 2022) If a country does not satisfy the socioeconomic requirements, it is commonly accepted that the country is still in the "developing" stage. To put it more succinctly, these are most frequently nations that have a. a lower per capita income, b. a less established industrial base, c lower standard of living e. limited access to modern technology. As a direct consequence of this, developing nations frequently struggle to provide adequate levels of employment, food, and clean drinking water, as well as education, medical care, and housing. The United Nations estimates that 126 countries will still be classified as "developing" in the year 2020. All of the countries that were considered to be in a state of development were found in either a. Africa, b. Asia, c. Latin America d. Caribbean. Because of differences in how developed and developing countries are defined, some organisations consider countries like a. Mexico, b. Greece, and Turkey to be developed while others consider them to be developing.

(Nurvita ET, al 2022) According to the regulations of an international or bilateral agency, like the World Trade Organization, a country's development status is one of the factors used to determine whether or not that country is eligible to receive development aid (WTO).

This is probably the primary reason why there are so many different definitions of "developed" versus "developing," as each organisation has different requirements for what should be considered the former in order to be eligible for their assistance.

This binary is frequently insufficient for classifying large, complex territories, which is another reason why the terminology is inconsistent: For example, in 2016, the World Bank announced that it would no longer differentiate between developing countries and developed countries because the terms were no longer considered relevant. This was done because the World Bank believed that the distinctions between the two groups were no longer necessary.

1.2.3 Gross National Income:

(**Capelli et. al 2016**) The gross national income (GNI) is equal to the sum of the gross domestic product (GDP) plus any factor income (wages, interests, profits, etc.) received from other countries, less any factor income that was paid to those countries by the receiving country. The Indian people now have a common goal in mind. During his statement on the anniversary of Independence Day, Prime Minister Narendra Modi established a goal to make India viksit (developed) by the time she celebrates her 100th anniversary of independence.

In this endeavor, the hierarchy established by the World Bank might prove to be more beneficial. The Bank's categorization, which is based on GNI per capita, is more straightforward. It classifies countries as having low, lower-middle, upper-middle, or high incomes. Given that there is a powerful relationship between wealth and human development and that countries within the same income group typically exhibit similar trends regarding education, health, or governance, and given that there is also useful beyond the realm of economic analysis,

1.2.4 Human Development Index (HDI):

(**Farida et. al 2022**) The Human Development Index (HDI) is an additional measuring device that was developed by the United Nations as a metric to assess the levels of social and economic development of a particular nation.

The Human Development Index (HDI) is a standardized measurement that converts a. life expectancy, b. educational attainment, c. income into a number between 0 and 1; the closer a country is to 1, the more developed it is. **(Herdikaet, al 2022)** There is no set threshold that must be met for a country to be considered developed; however, the vast majority of developed nations have Human Development Index of 0.8 or higher.

The life expectancy component of the HDI is computed at the time of birth and ranges from a value of zero to a value of one, with zero representing a life expectancy of 20 years and one representing a life expectancy of 85 years.

Measures of education include the average number of years that residents of a country have spent in school and the number of years that are typically completed by the time a child reaches the age at which they first enroll in kindergarten. **(Listiyaniet, al 2022)**

Finally, the metric chosen to represent the standard of living is GNI (gross national income) per capita based on purchasing power parity (PPP).

1.3 Gross National Income Analysis:

The gross national income (GNI) is equal to the sum of the gross domestic product (GDP) plus any factor income (wages, interests, profits, etc.) received from other countries, less any factor income that is paid to those countries by the receiving country. Mint conducted a forecasting exercise to achieve this.

As with the World Bank's Atlas method, mint omitted the effects of inflation and exchange rates to keep things straightforward. The GNI (current prices, \$), from 2022–2023 onward, was assumed to grow at various rates for three scenarios, and per capita figures were calculated by dividing the GNI by the UN's projected midyear population of the given year.

According to the compound annual growth rate (CAGR) over the previous 25 years, the income thresholds were updated.

1.3.1 Assuming India's GNI: Scenario 1:

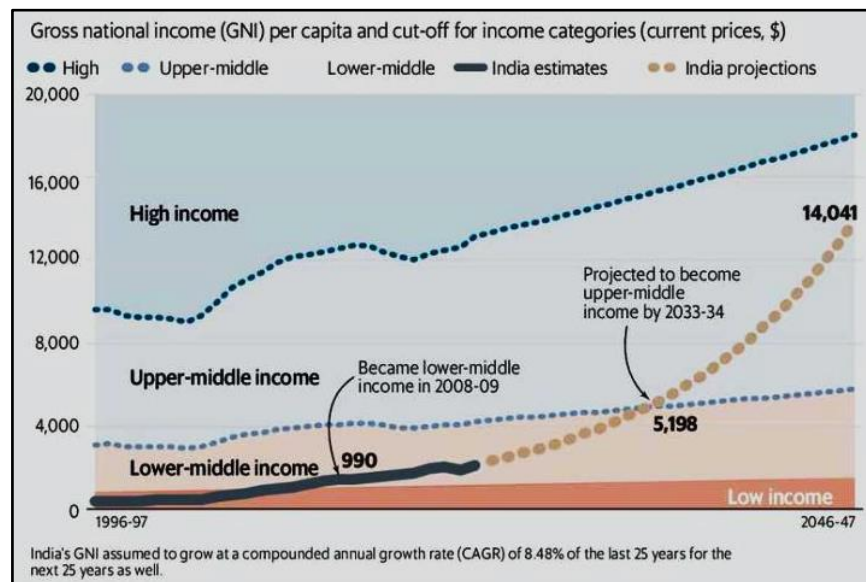


Figure 1.1: Assuming India's GNI: Scenario 1

Source: <https://www.livemint.com/opinion/online-views/can-india-become-a-developed-country-by-2047-11660812773790.html>

In the first scenario, it is assumed that India's GNI will increase at a CAGR of 8.5% or at the rate of the previous 25 years for the ensuing 25 years. By 2033–2034,

India would reach upper-middle income status at this rate. But in 2046–2047, its GNI per capita would be \$14,041, falling just short of the set limit of \$18,079 (see Chart 1a).

1.3.2 Assuming India's GNI: Scenario 2:

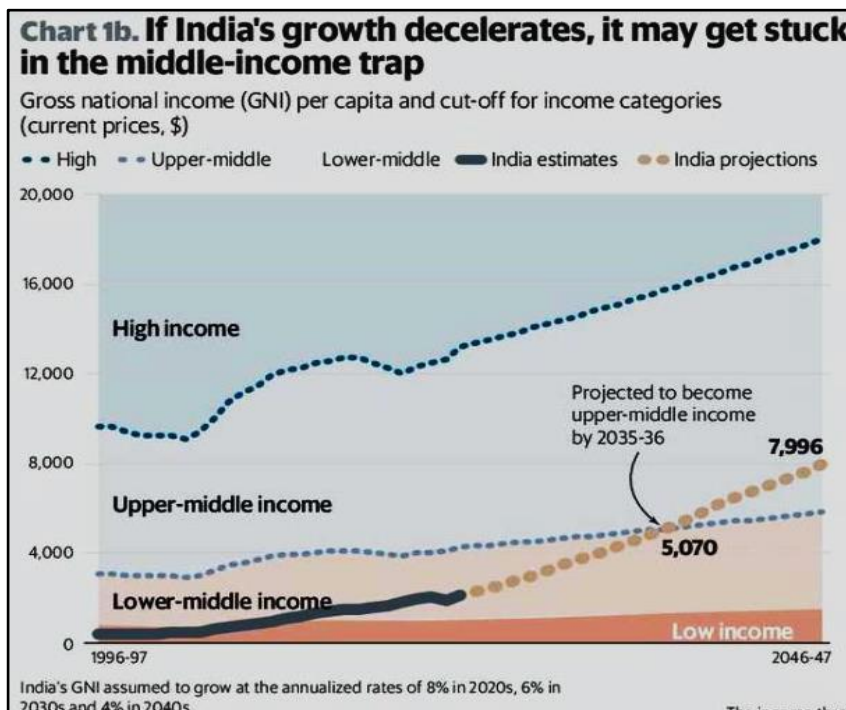


Figure 1.2: Assuming India's GNI: Scenario 2

Source: <https://www.livemint.com/opinion/online-views/can-india-become-a-developed-country-by-2047-11660812773790.html>

One more caution is added in the second scenario. The remaining 2020s are projected to see GNI grow at a CAGR of 8%, which is closer to the 7.5% growth rate experienced between 2010–11 and 2019–20.

Additionally, as the size of the economy expands, it is predicted that GNI growth will slow down to 6% in the 2030s and 4% in the 2040s, which is typical of many middle-income nations like South Africa and Brazil.

Under such a scenario, it makes sense that the minimum threshold is even harder to reach. India might fall into the middle-income trap because its GDP won't even reach \$8,000 by 2046–2047. (See Chart 1b)

1.3.3 Assuming India's GNI: Scenario 2:

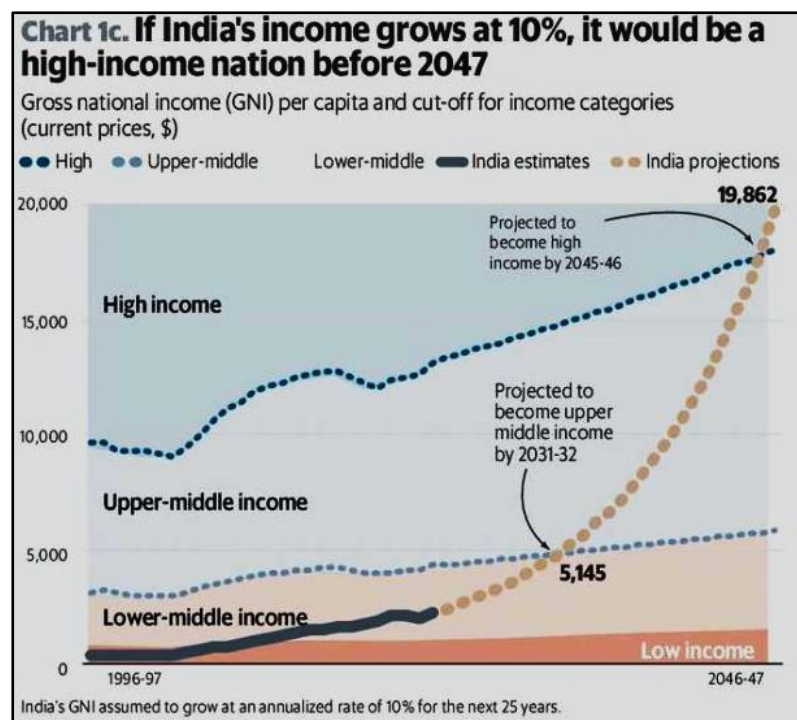


Figure 1.3: Assuming India's GNI: Scenario 2

Source: <https://www.livemint.com/opinion/online-views/can-india-become-a-developed-country-by-2047-11660812773790.html>

The third scenario, which is the most upbeat one, assumes that GNI will increase at a CAGR of 10% for the following 25 years. India would achieve high income status in 2045–2046, a year before the country's 100th anniversary of independence, if it can somehow achieve such a strike rate.

The minimum required GNI growth rate is 8.9% for India to touch the high-income threshold by 2046-47. India does not have to keep a constant 10% nominal growth rate year after year, but only on an overall basis. Between 2000-01 and 2010-11, India's GDP grew at an annualized rate of 12.4%, with a minimum of 2.8% and a maximum of 19.8%. The question is whether India can replicate its spectacular performance in the 2000s, despite the fact that its economy has grown multifold since then.

1.4 Human Development Index (HDI):

1.4.1 HDI Dimensions and Indicators:

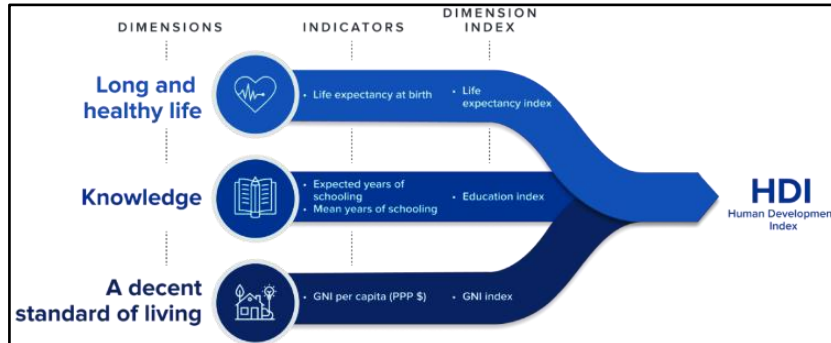


Figure 1.4: HDI Dimensions and Indicators

Source: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

The Index of Human Development examines three fundamental aspects of human development: a. long & healthy life b. knowledge, c. decent standard of living. The index is calculated using four indicators: a. life expectancy at birth b. mean years of schooling c. expected years of schooling d. gross national income per capita. The Human Development Index (HDI) is calculated by taking the geometric mean of the normalized indices for each of the three dimensions. The education dimension is defined by the mean number of years adults have spent in school who are at least 25 years old, as well as the expected number of years children who are old enough to start school will spend in school.

The health dimension is measured by the life expectancy at birth. The gross national income per capita is the metric that is utilized to evaluate the standard of living. The logarithm of income is used in the Human Development Index (HDI) to reflect the decreasing significance of income with increasing GNI.

After that, the results of the three HDI dimension indices are averaged together to create a composite index using the geometric mean. HDI quantifies a. life expect any, b. educational attainment, c. income into a standardized number between 0 to 1. The value closer to one called as developed country. For developed country no minimum value specified. But most developed countries have the HUMAN DEVELOPMENT INDEX of 0.8 or greater. Human Development index less than 0.8 value considered as Developing country category.

1.4.2 India position on HDI Key indicators:

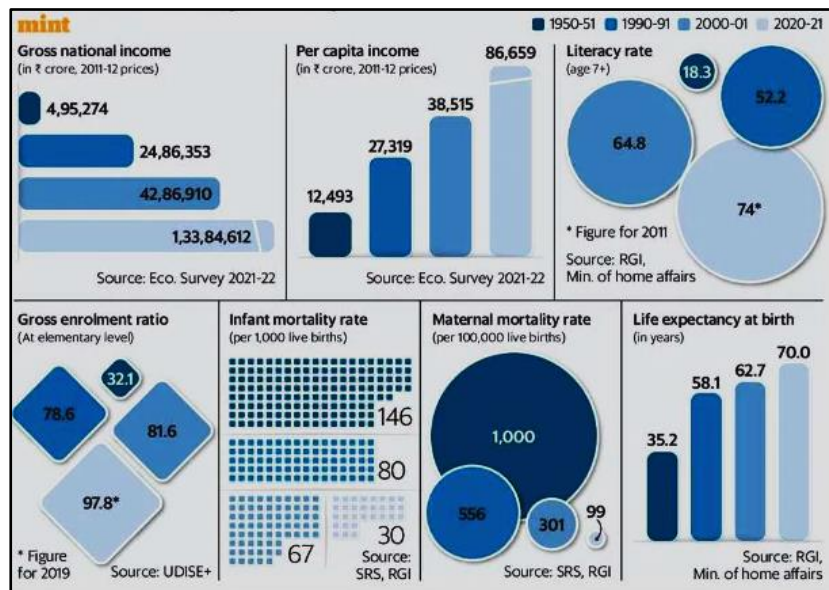


Figure 1.5: India position on HDI Key Indicators

Source: <https://www.livemint.com/opinion/online-views/can-india-become-a-developed-country-by-2047-11660812773790.html> The

economic indicator like a. Gross National Income b. per capita income c. literacy rate d. gross enrolment e. infant mortality rate f. Maternal Mortality rate g. life expectancy rate more important indicators in deriving Human Development Index. The figure depicts the India's current position on economic indicator discussed above. The figure shows that the life expectancy at birth doubled in last 75 years. Also, from 1950 to 1975 the literacy rate of the country gone up from 18 percentage to 74 percentage. But compared to our neighbor Asian countries we fallen behind social economic indicators and per capita income. Another important issue of the country is unemployment, social inequality and untouchability. The literacy rate of the country jumped from 18.3 to 74 percentage in the 1947-2021. There is a need for joint effort created by central and state government. They also concentrate only essential things and do them well. It includes a. security b. national defence c. effective delivery of justice d. rule of law e. protection of the environment f. Building good infrastructure g. social protection h. basic education i. basic education. Water supply and sanitation

1.4.3 India's HDI Index Range in Last Few Decades:

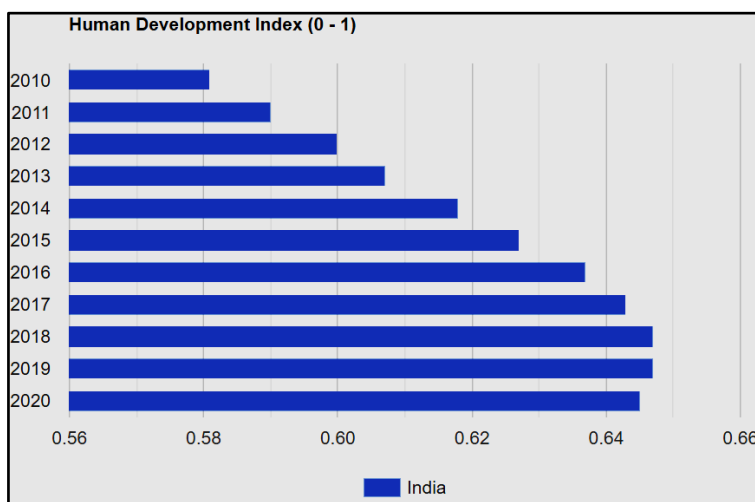


Figure 1.6: India's HDI Index Range in Last Few Decades

Source: IMF DATA

1.5 Conclusion:

India will require a protracted economic boom with sustained high levels of growth to lift millions out of poverty if it is to become developed in the next 25 years. Remember that China established itself as a global manufacturing hub by clocking double-digit real GDP growth for almost three decades. The results were astounding; according to the World Bank, China's number of poor people has decreased by about 800 million over the past 40 years.

China actually played a major role in the global decline in the number of people who live in extreme poverty, making up approximately three-quarters (75%) of the total. India hopes to accomplish something similar with its "Make in India" initiative "program.

Similar to China, it will require an economy on steroids, with potential double-digit growth over the following 25 years. "Over the next 25 to 30 years, the Indian economy will expand four to five times in absolute terms.

The difficulty is to also experience rapid per-capita growth. India will need nominal double-digit growth for that "says Mahindra Group Chief Economist Sachchidanand Shukla. However, India needs to implement new reforms in order for that to happen. Manufacturing is currently hampered by antiquated labour laws, slow land acquisition, and project approval slowdowns. India still faces enormous obstacles on its path to becoming a developed nation.

For instance, controlling rapid urbanization continues to be a difficult task. Urban areas are the driving forces behind economic expansion. In India, there has been a significant urban migration. According to Niti Aayog, India's urban population increased from 109 million in 1970 to 460 million in 2018. And finally, India needs to make a complete overhaul of its crumbling basic education infrastructure.

The learning process more effective of children in the government's primary schools are appallingly inadequate, according to numerous studies. India wouldn't be able to maintain its tryst with a demographic dividend if its workforce was undereducated and unskilled.

Through programs like the New Education Policy, Skill India, and Digital India, the Indian government has implemented a number of initiatives to modernize the educational system and equip India's youth with the necessary skills.

India needs to continue reforming if it wants to escape the "middle-income trap." —a term created to describe low-income nations incapable of rising to higher per capita income levels. To escape the "middle-income trap," many Middle Eastern and Latin American nations struggled "Brazil and Mexico, among others, for many years. The Indian administration must prevent India from making the same mistake.

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