

The Road to
Viksit Bharat:
Decoding the Economic Survey 2023-24

Introduction

This year’s Economic Survey addresses some of the key questions centered around India’s journey towards becoming a developed country by 2047. Perhaps, for the first time, the government openly acknowledges that there is a need for confidence building across the economy spanning the public sector, private sector and citizens as it talks about a tripartite compact.

The survey is cautiously optimistic about GDP growth, estimating real GDP to grow at 6.5-7% in FY25. This growth is expected to be driven by various factors, especially sustained Government capital expenditure, private investments, and recent successes in exports.

The road to inclusivity

Despite erratic weather patterns and diminishing reservoir levels, the agriculture sector has sustained an annual growth rate of 4.18%. This resilience is attributed to initiatives like "per drop more crop," the adoption of sustainable practices, and government efforts to enhance credit access and market reach for farmers.

Land consolidation, through Farmer Producer Organisations (FPOs) or other means, and increased yields per hectare are identified as significant opportunities for the agriculture sector. Realising the vision of a Viksit Bharat, is contingent upon transformative changes in this sector. Grant Thornton Bharat continues to advocate for predictive global market intelligence systems for FPOs and improved supply chain management of input quality.

The unemployment rate has seen a decline, and formal employment has risen, thanks in part to government initiatives like Skill India. To close the skilling gap among the Indian population, the survey recommends that education and skill policies should concentrate intensely on learning and skilling outcomes. It suggests that India could learn from international examples, such as the EU Cohesion Policy, in achieving this.

Bolstering India’s MSME sector is pivotal for the nation's future growth. MSMEs form the economic backbone, contributing around 30% to the national GDP. The Economic Survey's mention of an Indian equivalent to the German 'Mittelstand' (Middle Market or Medium-sized companies) is a welcome development, though it's important to distinguish this from MSMEs, as 99.4% of MSMEs are micro-enterprises, according to CEA data. Grant Thornton Bharat has long championed the concept of 'Indian Aspirational Companies', which bridges the gap between MSMEs and large corporates.

Sustained investor interest and increasing GVC participation

Despite a dip in net FDI inflows from USD 42.0 billion in FY23 to USD 26.5 billion in FY24, the consistency in gross inflows reflects ongoing investor interest. India is poised to boost its global competitiveness by tackling regulatory and infrastructural bottlenecks, fostering technological innovation, and forging strategic trade partnerships, all in pursuit of its 'Viksit Bharat' vision.

According to the WTO’s World Integrated Trade Solutions database, India's trade related to Global Value Chains (GVCs) has quadrupled, soaring from USD 62.9 billion in 2010 to USD 233.1 billion in 2022. Key sectors propelling India's GVC engagement include coal and petroleum, business services, chemicals, and transport equipment. The Economic Survey underscores that for India to further its GVC integration, it should consider the triumphs and tactics of East Asian economies.

Investment in infrastructure: Key growth enabler

In FY24, the infrastructure sector witnessed unprecedented private investment, with capital expenditure seeing a threefold increase from FY20. The expansion of national highways by 1.6 times, along with the development of multi-modal logistics parks and dedicated freight corridors, has elevated India's position in the World Bank’s Logistics Performance Index from 44th in 2018 to 38th in 2023. These efforts, combined with railway modernisation, addressing land acquisition issues & regulatory barriers, and streamlining approvals, are set to accelerate India's developmental trajectory.

Looking ahead, the planning of three key corridors – High-traffic density corridors, Energy, Mineral and Cement Corridors, and Rail Sagar (port connectivity) – is poised to lower logistics costs, reduce carbon emissions, and increase railway freight volumes.

As we advance, it's crucial to consider the environmental impact of infrastructure development. Carbon emissions are projected to reach 60 million tonnes by 2029-30 if current trends continue. The integration of cutting-edge technologies and eco-friendly practices into intelligent infrastructure, coupled with inventive financing strategies, is essential to draw private investment and harness global resources.

Thriving startup ecosystem

India's startup count has surged from roughly 2,000 in 2014 to an impressive 31,000 by 2023. The burgeoning startup landscape is a testament to its strides in cutting-edge technologies like Artificial Intelligence, Machine Learning, and Cloud Computing.

The National Deep Tech Startup Policy (NDTSP) has been instrumental in helping startups navigate challenges related to funding, resources, and infrastructure. Moreover, initiatives like the INR 10,000 Cr. Fund of Funds for Startups and the Startup India Seed Fund Scheme have been pivotal in addressing the financial requirements throughout the startup lifecycle, including assistance for concept proofing, prototype development, market entry, and commercialisation.

The ecosystem will benefit from the opening up of direct listing of startups, who will then be able to access capital from the market stakeholders that are in a better position to understand the associated risks. However, there is a need for a cautious approach with startups joining the IPO frenzy, particularly when retail investor participation is at an all-time high. Regulators must put mechanisms in place to protect investor interests in this over-financialisation of the economy.

However, the escalating adoption of AI is anticipated to cause employment disruptions. To meet the challenges posed by AI, employees will need to acquire specialised skills. The Government has rolled out initiatives like 'Future Skills Prime' and 'YUVAi' to foster an AI-ready ecosystem.

Balancing climate change with economic growth

Striking a balance between economic growth and climate change mitigation remains a challenge. Despite advancements, funding for climate initiatives falls short, with developing nations' adaptation needs projected to hit USD 300 billion by 2030, far greater than current allocations.

India, however, has made commendable strides towards green energy transition. By 2021, India has achieved 40% of power capacity from renewable sources, cutting down emission intensity by a third compared to 2005. Solar capacity has seen a remarkable 25-fold increase from 2014 to 2023, positioning India as the only G20 nation on track with the 2-degree warming limit.

India's proactive role is further evidenced by its participation in global efforts like the International Solar Alliance and the Coalition for Disaster Resilient Infrastructure, underscoring its dedication to climate action. As India's energy demand is poised to double by 2047, diversifying into nuclear, biofuels, and hydrogen, coupled with bridging the financial shortfall, is crucial for sustaining momentum.

Summing up

The Economic Survey shows that the growth story is intact and there is a good amount of focus on increasing jobs and reducing the rural-urban divide. However, in the medium-to-long term, the private sector activity levels need to pick further pace, with more people taking up entrepreneurship as a legitimate option for long-term prosperity. There will be some challenges on India’s road to development, stemming from global trade and investment. However, the resilience of the domestic economy, sustained investment in infrastructure and technology, along with structural changes to the agricultural economy should help us tide over these challenges.