

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION No. 1813
ANSWERED ON 19 DECEMBER 2023

ACTION PLAN TO MAKE THE COUNTRY THIRD LARGEST ECONOMY

1813. SHRI RAM SHAKAL:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has prepared an action plan to make the country the third largest economy by the year 2027; and
(b) if so, the details thereof?

ANSWER
MINISTER OF STATE FOR FINANCE (SHRI PANKAJ CHAUDHARY)

(a): As per the International Monetary Fund (IMF), World Economic Outlook (WEO), October 2023 projections, India is projected to become the third largest economy in 2027-28 with a GDP of USD 5 trillion economy. The impact of domestic and global market economy and effective government measures have been considered in making the projections.

(b): Towards becoming the third largest economy and beyond, the government has undertaken a series of effective measures over the last decade for enhancing the economic opportunities and strengthening the growth prospects in the country. These measures span several sectors of the economy. The taxation ecosystem in the country has undergone substantial reforms in the past nine years in both direct and indirect taxes. Direct tax measures such as the restructuring of the corporate tax rates, reduced tax litigation and removal of tax uncertainties have considerably reduced the compliance burden and resulted in high growth of revenues. Indirect tax measures include successful implementation of Goods and Services Tax (GST), which has realised the goal of One Nation, One Tax, One Market, expanded the formal sector in the economy and ensured a high collection of GST revenues. There has been a large expansion of government's capital expenditure (capex) without weakening fiscal discipline. Government's capex has increased from ₹4.1 lakh crore in 2020-21 to ₹10 lakh crore in 2023-24 (BE), crucially supporting growth. It has also initiated the crowding-in of private sector investment further assisted by PM GatiShakti Scheme on infrastructure and logistics. The Government's capital expenditure has been directed towards infrastructure intensive sectors, thus, improving the connectivity in the country.

Besides the push to physical infrastructure, the government's emphasis on developing public digital infrastructure during the last few years has been a game changer in enhancing the economic potential of individuals and businesses. The digital infrastructure has, inter alia, led to enhanced financial inclusion, formalisation of economy, efficient service delivery and transparent governance processes.

The above measures have significantly improved the business climate and are encouraging investments across different sectors. Flagship programmes of the Government such as the Make in India and Start-up India have been put in place to boost the manufacturing sector. The Production Linked Incentive (PLI) Scheme, now extended to 14 sub-sectors, has also contributed to manufacturing growth. Further, support to MSMEs has also been enhanced to not only broad base the manufacturing sector but also increase inclusivity in the growth process. Progressive easing of doing business through simplification of regulations, opening the strategic sectors for the private players, adopting a dedicated policy towards privatisation of the Central Public Sector Enterprises and rationalisation of labour laws have also been supporting the growth of the manufacturing sector.

The financial sector has also been strengthened in the past years to support the growth of businesses in the economy. Measures ranging from implementation of the Insolvency and Bankruptcy Code (IBC) to recapitalisation and merger of banks have enabled the corporate and the banking sector to have strong balance sheets to leverage funds for higher investment, necessary for increasing India's economic growth. The reduction in corporate tax rate to one of the lowest in the world has increased corporates reserves and provided additional funds for investment. Liberalisation of Foreign Direct Investment (FDI) has resulted in large inflows further providing financing for investment. All these reforms strengthen the medium-term economic outlook for the country will enable India to achieve its development goals.
