India should focus on accelerated reforms to speed up growth, achieve high-income status by 2047: World Bank

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THE HINDU BUREAU

India would need to grow by 7.8% on average over the next 22 years to achieve the country’s aspirations of reaching high-income status by 2047, said the World Bank in a report released on Friday (February 28, 2025).

Achieving this target was possible, however, getting there would require reforms and their implementation to be as ambitious as the target itself, said the report titled: *India-Country Economic Memorandum: 'Becoming a High-Income Economy in a Generation.'*

The issue of India's economic growth versus emissions

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"Lessons from countries like Chile, Korea and Poland show how they have successfully made the transition from middle- to high-income countries by deepening their integration into the global economy," said Auguste Tano Kouame, World Bank Country Director adding,"India can chart its own path by stepping up the pace of reforms and building on its past achievements."

The report evaluates multiple scenarios for India's growth trajectory over the next 22 years. As per the report, the scenario which enables India to reach high-income status in a generation, requires a) achieving faster and inclusive growth across states; b) increasing total investment from current 33.5% of GDP to 40% (both in real terms) by 2035; c) increasing overall labour force participation from 56.4% to above 65%; and d) accelerating overall productivity growth.

Emilia Skrok and Rangeet Ghosh, co-authors of the report said, "India can take advantage of its demographic dividend by investing in human capital, creating enabling conditions for more and better jobs and raising female labour force participation rates from 35.6% to 50% by 2047."

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In the past three fiscal years, India has accelerated its average growth rate to 7.2%. In order to maintain this acceleration and attain an average growth rate of 7.8% (in real terms) over the next two decades, the Country Economic Memorandum recommends four critical areas for policy action:

1. Increasing investment (the rate of private and public investment should increase from around 33.5% of GDP to 40 % by 2035).

2. Fostering an environment to create more and better jobs:Overall labour force participation rates have remained low in India at 56.4% compared to countries like Vietnam (73%) and Philippines (60%). The report recommends incentivising the private sector to invest in job-rich sectors like agro-processing manufacturing, hospitality, transportation, and care economy.

3. Promoting structural transformation, trade participation and technology adoption: Currently the share of agriculture in employment is 45%. Allocation of land, labour and capital to more productive sectors, like manufacturing and services, can help raise firm and labour productivity. These steps will help India catch up to peers like Thailand, Vietnam and China in Global Value Chain (GVC) participation rates.

4. Enabling States to grow faster and together: The report argues for a differentiated policy approach whereby less developed states could focus on strengthening the fundamentals of growth (health, education, infrastructure, etc.), while more developed states could prioritise the next generation of reforms (better business environment, deeper participation in GVCs, etc.).

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