

As India becomes fifth largest economy, here's how real is real growth

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The economy will grow and it will touch the USD 5 trillion mark as well but the question is in how many years?

A US-based report has shown that India's economy has become the fifth-largest economy of the world, but how much would it contribute to Prime Minister Narendra Modi's USD 5 trillion economy dream? As India may find a reason to cheer about the new height of the country's GDP, the prolonged slowdown in the country is still a concern. "India share in world GDP has been rising as it has been growing faster than the global GDP. It will continue to improve its raking going ahead," D K Joshi, Chief Economist, Crisil, told Financial Express Online. However, there are many other factors that can pave separate ways for statistical growth and real growth.

"How real is the real GDP? If the nominal GDP is high but the inflation is also high, it is not desirable," Madan Sabnavis, Chief Economist, Care Ratings, told Financial Express Online. A major portion of the Indian economy is in the informal sector. Thus, if the growth comes from there, the growth will mean much more than that coming out of the formal sector, Madan Sabnavis added.

The data from the informal sector is not much transparent but the majority of the population depends on the unorganised sector for their livelihood. The unorganised sector may significantly increase the living standard of the country.

Meanwhile, the growth of India's economy is slowed down in the past few quarters, due to the ongoing slowdown and the green shoots are partly visible as the industrial production has surprised by contracting in the month of December. ***"The economy will grow and it will also reach the USD 5 trillion dollar mark sooner or later but the immediate concern needs to be addressed in priority. The green shoots of economic revival have started to show up and the industrial production which recorded contraction in the month of December is also unlikely to show any negative result in the coming months,"*** Rajat Bahl, Chief Analytical Officer, **Brickwork Ratings**. The government is not taking any direct step to boost demand, but there are indirect steps that will show up results in the near-term, he added.