

A developed country by 2047: Here's what it will take

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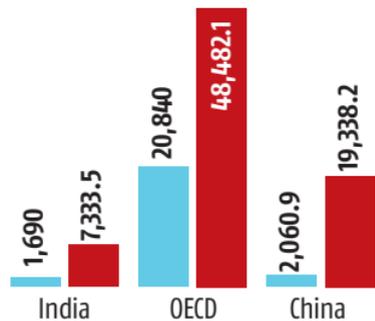
In 1947, policymakers of a newly independent India decided to follow the mixed economy approach to catch up with the developed world. India would be able to replicate the Communist USSR model with tweaks of its own, they thought. India has become a lower middle-income economy, but it lags behind Communist China in development.

Indian policymakers have a new clarion call. Prime Minister Narendra Modi, in his Independence Day speech, pledged to turn India into a developed economy in the next 25 years, when the country celebrates 100 years of independence.

A comparison with developed countries shows India has a long way ahead to achieve that goal. In 2021, India's per capita income (calculated in international dollars based on purchasing power parity) at \$7333.5 was less than half of China's in 2021. It was a seventh of Organisation for Economic Co-operation and Development countries' per capita income (\$48,482.1) —

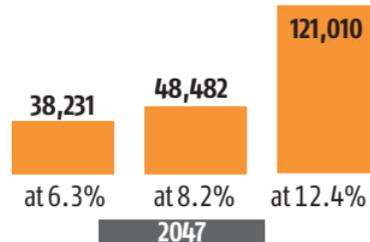
A REALITY CHECK

India lags behind in per capita income
GDP per capita, PPP (current international \$)
■ 1996 ■ 2021



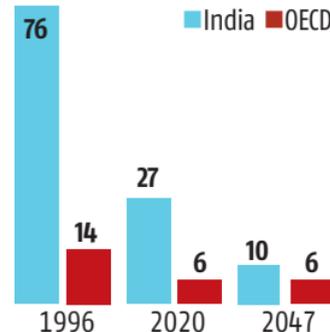
Source: World Bank

Incomes would have to grow at 12% to reach OECD levels
India's GDP per capita, PPP (current international \$)



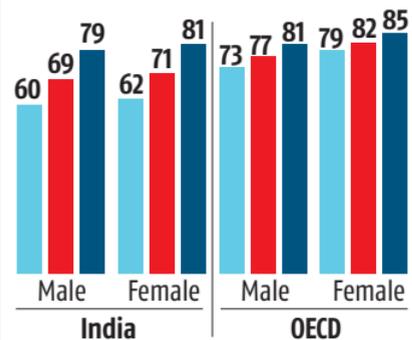
6.3 per cent has been the CAGR for the Indian economy for the past 25 years. 12.4 per cent level assumes that incomes in OECD countries grow at 3.5 per cent per annum—CAGR for the past 25 years
Source: World Bank

Infant mortality rate will stay above OECD countries at current pace
Infant deaths per 1,000 live births



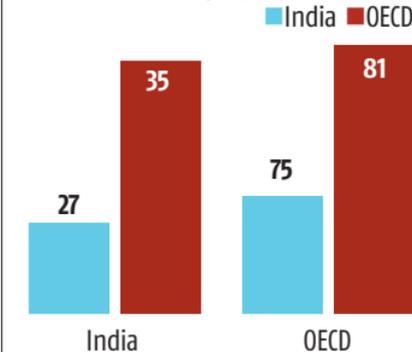
Source: World Bank

So, will levels of life expectancy
Life expectancy at birth (in years)
■ 1996 ■ 2020 ■ 2047



2047 assumes growth at pace achieved in the past 25 years
Source: World Bank

Urbanisation is expected to be lower as well
(Proportion of population living in urban centres, %)



Source: World Bank

a group of developed economies.

While India's per capita income grew at double the rate of OECD nations in the last 25 years, it would need to grow at 12.4 per cent consistently to catch up with that bloc in the next 25 years. It will have to grow at

8.2 per cent to reach the level at which they are today. In terms of social indicators, India will need to take similar leaps. The infant mortality rate—the number of infant deaths per 1,000 live births—reduced from 76 in 1996 to 27 in 2020, but

it was still over four times the OECD average of 6. At the current pace, India will only be able to achieve an infant mortality rate of 10 in 2047.

India's life expectancy at birth would have to improve faster than it did in the

last 25 years to reach OECD levels. At the current pace, it would fall short of OECD economies—India added nine years to life expectancy for both males and females between 1995 and 2020.

Parity in tertiary education or the

number of students enrolled in graduate courses is even more challenging. Less than a third of India's population had received tertiary education, compared to 77 per cent in the OECD economies. To catch up with the OECD economies, it will need to increase its infrastructure considerably. India had only 30 colleges per 100,000 people in 2019-20, and AISHE data shows that enrolments per college declined compared to 2015-16.

India's female labour force participation declined in the last 25 years, whereas it increased in OECD countries. India will have to first arrest the decline and then take it to OECD levels. OECD's female labour force participation rate is 2.7-times of India's. In 1996, it was 1.6-times.

The rate of urbanisation has been faster than the OECD world, but the number of Indians living in urban areas is still a fraction of developed economies. Four in every five people resided in urban centres in OECD economies in 2021. India, if it maintains its current pace, would have less than half of its population living in urban centres by 2047.