Challenges in Double Digit Growth

What is the issue?

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Union government is targeting for a double digit GDP growth, in real terms such growth is quite challenging.

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What is the status of India’s GDP growth?

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- In the last three India’s GDP growth has come down from 8 per cent to 6.7 per cent.
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- It looks unlikely there will be big-bang growth in the next couple of years which is more likely to be gradual.
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- In the absence of any major disruptive policy in the coming years, the path looks to be more like 7.5-8-8.5-9 per cent.
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- During 2005-08 India had recorded an average growth of around 9.5 per cent, which was just before the financial crisis and in 2009-11 growth came in at just below 9 per cent.
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- Therefore, getting to 9 per cent does not look too ambitious, though 10 per cent would be psychologically satisfying.
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What are the challenges in achieving double digit growth?

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- In statistical terms size of Indian economy is quite large at around Rs.130-lakh crore and a higher base makes it more challenging to record high growth numbers.
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- Even a single crop failure leads to high inflation which has an impact on overall spending, interest rates and investment ultimately.
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- It would take 3-4 years as agriculture, industry and services need to grow at higher rates on a continuous basis.
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- The NPA problem, along with the requisite capital requirement, are major blockades to growth in India.
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- It will take another two years to resolve and hence achieving the 10 per cent mark is still some distance away.
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What needs to be done to achieve double digit growth?

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- **Boosting Agriculture -** In Indian economy every time agriculture slips, it has a ricocheting impact on other sectors as rural spending comes to a standstill.
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- Therefore, while agriculture has a 15 per cent share in GDP, it has to be kept moving independent of monsoons on a sustained basis.
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- **Building on industry -** Manufacturing and construction segments has to register 10 per cent growth continuously for the overall growth number to clock 10 per cent.
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- Government need to resolve the NPA (non-performing asset) issue and grow the bond market as funding is a major necessity for growth.
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- Emphasis on affordable housing can see acceleration in growth which will bode well to linked industries such as steel, cement, machinery and metals.
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Source: Business Line

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