

Perspectives on India's Growth: Last Four Decades to the Present¹

It is my pleasure and honour to deliver the 14th Foundation Day Lecture of the Centre for Development Studies (CDS). Established in October 1970 by Professor K. N. Raj, CDS has been a premier academic institute in India for social science and development research. CDS's footprints in economic research have been evident through its pioneering work on human development, labour, industry, international trade, migration, decentralisation and local governance, among others.

The topic that I have chosen for my talk today is on some of the salient features of India's economic growth in recent years and how they may be contextualised over the past four decades.

I focus on three defining features of India's growth trajectory: first, its sustained momentum and gradual acceleration; second, the coexistence of rapid expansion with macroeconomic stability; and third, a demonstrated resilience reflected in increasingly stable and predictable economic outcomes. Where appropriate, these patterns are situated in a comparative cross-country perspective.

1. Economic growth has accelerated slowly but surely

Looking at the pace of economic growth in India since the 1980s, it is easily observable that the Indian economy has slowly but surely accelerated, at the pace of 0.03 percentage points a year on an average, during the past four and a half decades (Figure 1, Panel A). While growth rate averaged 5.7 per cent during 1980s, it improved to 5.8 per cent in the following decade; to 6.3 and 6.6 per cent during the decades of 2000s and 2010s, respectively; and further to 7.7 per cent during the last four years (Table 1).

¹ Inputs received from GV Nadhanael, Asish Thomas George, Anand Shankar, Somnath Sharma, and Anirban Sanyal are gratefully acknowledged.

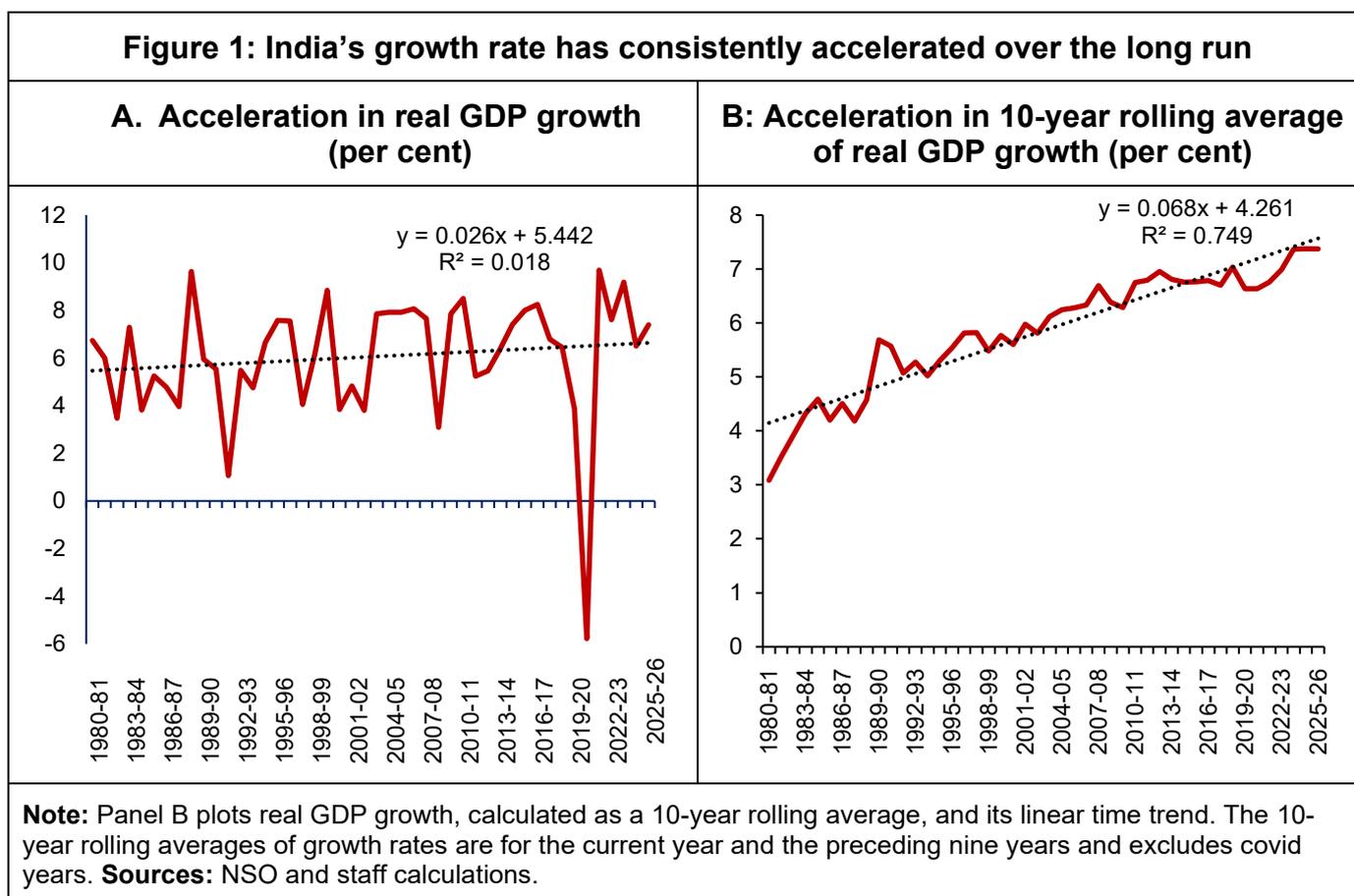
Table 1: GDP growth in India across decades

Period	Annual average real GDP growth (per cent)
1980-81 to 1989-90	5.7
1990-91 to 1999-2000	5.8
2000-01 to 2009-10	6.3
2010-11 to 2019-20	6.6
2022-23 to 2025-2026*	7.7

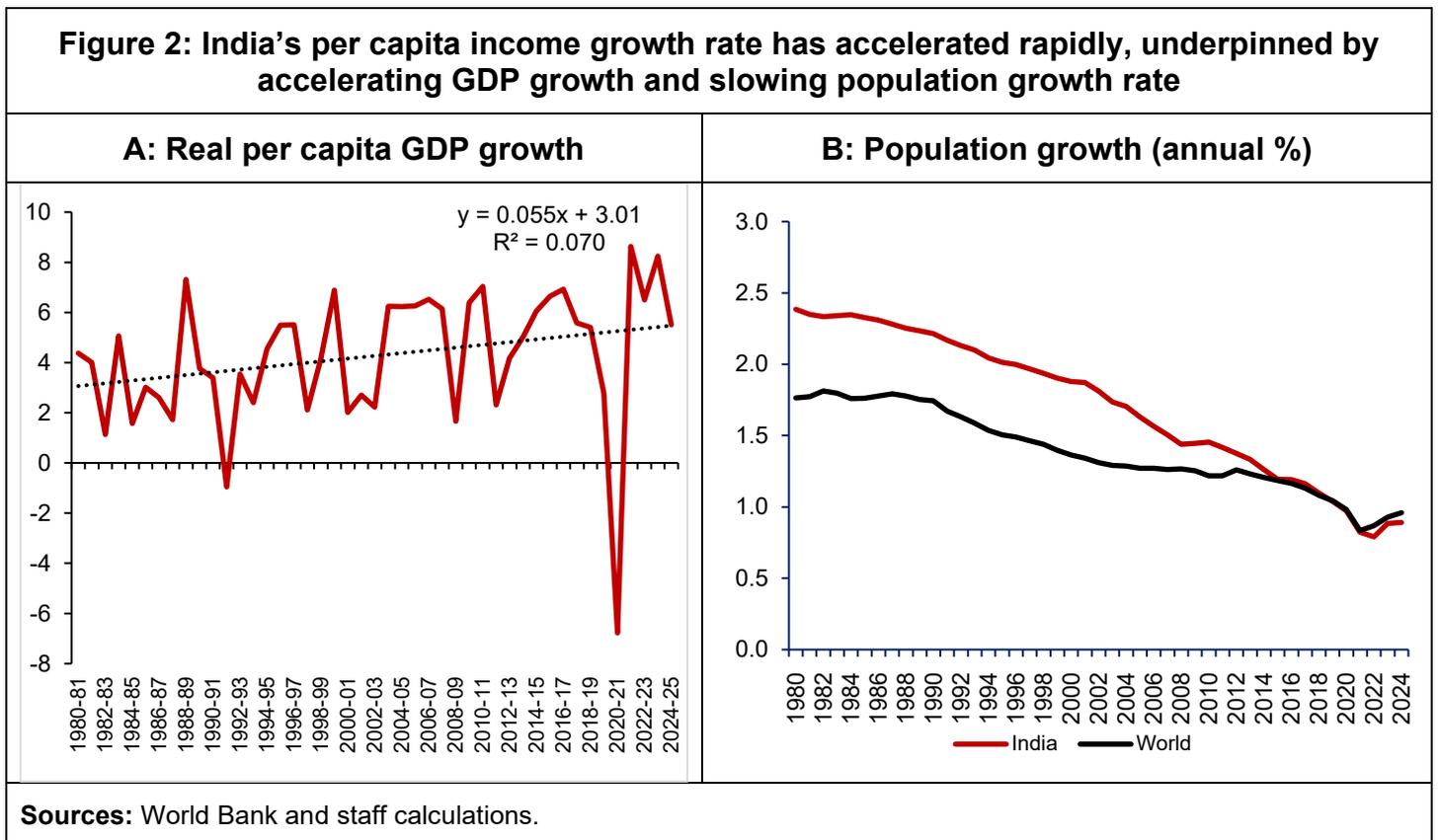
Note: * Excluding the covid years of 2020-21 and 2021-22. **Sources:** NSO and staff calculations.

Ten-year rolling averages of annual GDP growth rate confirm the trend acceleration, as well as the fact that there have not been any periods of prolonged stagnation or secular decline in growth (Figure 1, Panel B).

Figure 1: India's growth rate has consistently accelerated over the long run



The acceleration in per capita income growth has been even faster than in GDP growth (Figure 2).² From a modest level of US\$ 274 in 1981, and US\$ 306 in 1991, India’s per capita income has increased nearly tenfold to about US\$ 2700 in 2024. From 1981, it took about 23 years to double the per capita income whereas in the subsequent 22 years it has increased almost five-fold. As per October 2025 forecasts in the World Economic Outlook of the IMF, per capita income is projected to increase to US\$ 2818 in 2025, US\$ 3051 in 2026 and US\$ 4346 in 2030.



Decline in population growth has been an important factor contributing to the acceleration in per capita income. India’s population growth has traditionally been significantly higher than that of the world. However, over the years it has declined at a faster rate than the global rate and, since about 2014, at par with the growth rate in world population (Figure 2, Panel B).

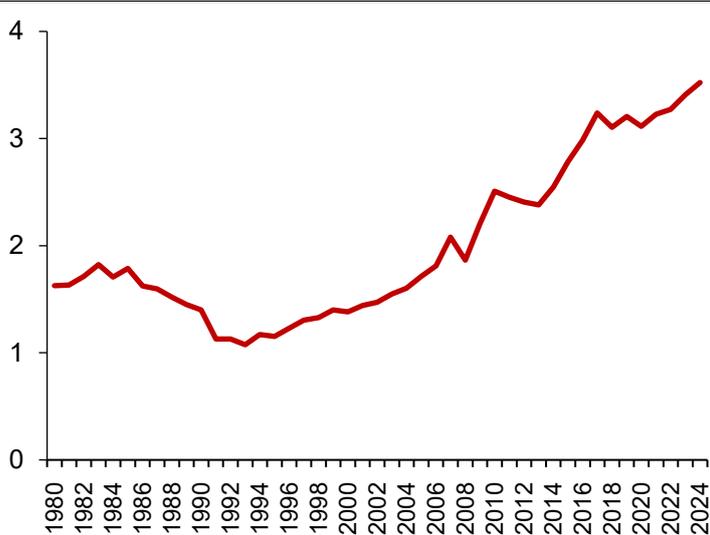
² The higher rate of acceleration in per capita income than in GDP is reflected in a higher trend coefficient relative to GDP.

India has experienced a rapid decline in fertility rates since the 1980s. While the death rate has been declining too and has fallen below world average (See Annex 1, Figure A1, Panel A), the pace of decline in fertility rate has been faster than the decline in death rate, resulting in a slowing rate of population growth.³ These trends are indicative of the impact of increasing prosperity and education levels on demography. Going by international experience, these trends are likely to continue in the years to come, aiding a rapid increase in per capita incomes.

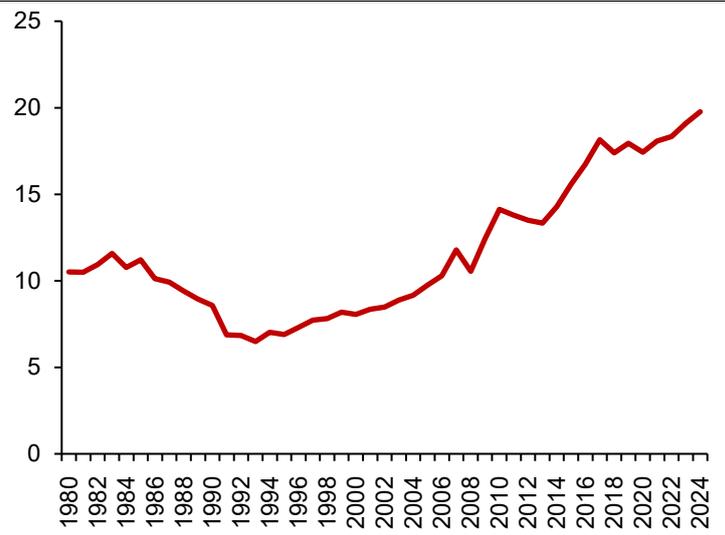
Since the early 1990s, the Indian economy has been growing much faster than the rest of the world. As a result, share of the Indian economy in the global economy has increased about 3 times, from about 1.1 per cent in 1991 to 3.5 per cent in 2024 (Figure 3, Panel A). The differential in growth rates has further widened in the last decade or so. Meanwhile, India’s per capita GDP, as a percentage of world per capita GDP, has also increased threefold, from about 7 per cent in 1991 to close to 20 per cent in 2024 (Figure 3, Panel B). These are in current US\$ terms; in Purchasing Power Parity (PPP) terms, India’s per capita GDP relative to world per capita GDP is much larger.

Figure 3: Relative prosperity: India and the World

A: India's GDP as share (%) of World GDP (current US\$)



B: India's per-capita GDP as % of World per capita GDP (current US\$)



Sources: World Bank and staff calculations.

³ While population growth is expected to continue to fall, the working age population in total population will continue to increase (Annex 1 Figure A2).

We examine whether the observed growth acceleration is specific to India or reflects a broader pattern across other emerging markets. To assess this, we compare India's linear growth trend with that of seven major emerging economies; Brazil, the Russian Federation, South Africa, Malaysia, Mexico, Türkiye, and Indonesia — collectively denoted as the EM7.⁴ Results presented in Annex 2 indicate that this group of countries, at the aggregate level, did not witness an acceleration in growth. However, the trend in India's 10-year rolling average growth rate is significantly positive. The positive coefficient on Trend × India suggests a steeper growth trajectory for India relative to the EM7 economies as well.

2. Indian economy has experienced a virtuous cycle of accelerated growth and macroeconomic stability

An economy is typically assessed to be macroeconomically stable if specific outcomes (commonly, inflation, current account deficit, fiscal deficit, quality of public debt and deficit, and those pertaining to the financial sector) are seen to be sustainable, growth supportive, and not indicative of excessive underlying risks or overheating.⁵ For India, most of these indicators have remained in a healthy range over the last four decades with notable improvement in recent years.

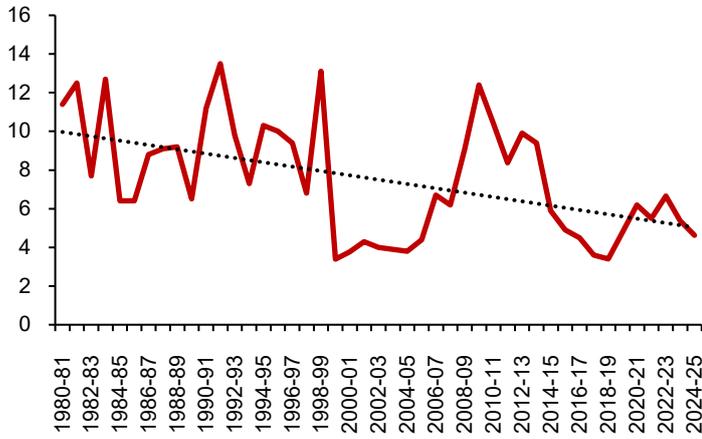
Inflation has both moderated over time and has become more stable, especially under the flexible inflation targeting (FIT) regime. Average annual CPI inflation in India has declined from close to 10 per cent in the 1990s to about 6 per cent a year in the subsequent two decades; to below 5 per cent in the last four years; and is likely to remain benign in the coming months (Figure 4, Panel A). Inflation has also declined relative to other countries. India's inflation differential has narrowed *vis-à-vis* advanced economies (AEs) and other emerging market and developing economies (EMDEs) (Figure 4, Panel B).

⁴ Though the comparator set of large emerging countries have had higher per capita income.

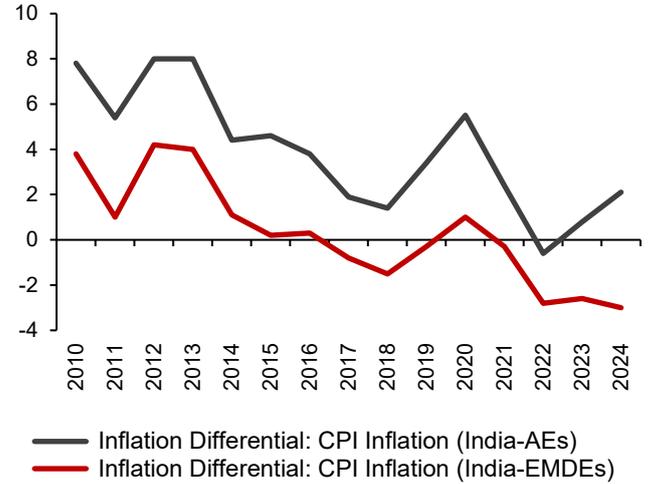
⁵ Fischer (1992) similarly proposed a stable macroeconomic framework as the one in which inflation is low and predictable, real interest rates are appropriate, fiscal policy is stable and sustainable, the real exchange rate is competitive and predictable, and the balance of payment situation is viable.

Figure 4: Inflation in India has declined and its inflation differential with other economies has narrowed

A: CPI inflation (Annual average, per cent)



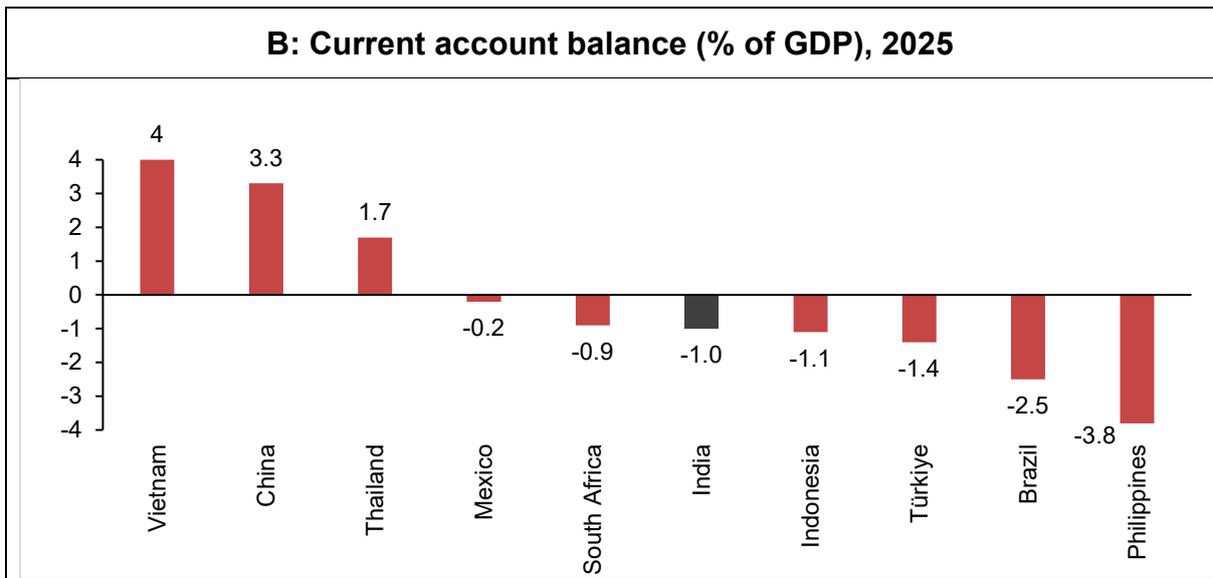
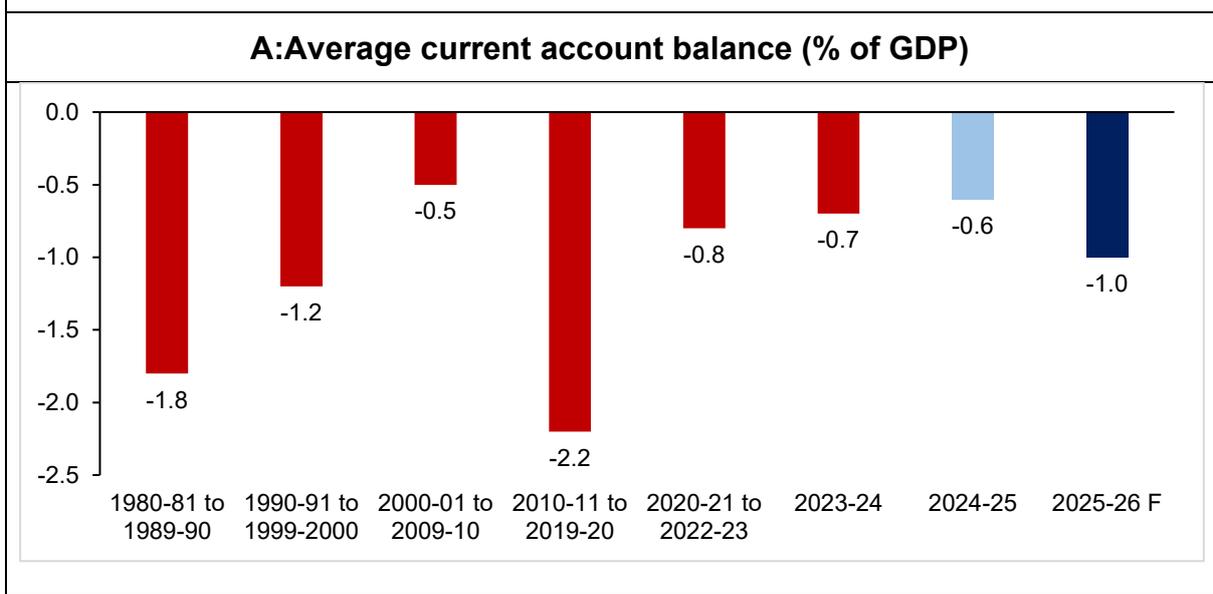
B: Declining inflation differentials with AEs and EMDEs



Source: IMF, WEO Database.

India's decadal average current account deficit (CAD) has varied within a moderate range of 0.5-2.2 per cent of GDP since 1990, and has remained modest in recent years (Figure 5, Panel A). Compared to an average CAD of 1.4 per cent between 1980-81 and 2019-20, it has halved to an average of about 0.75 per cent of GDP in the last six years. For most part, India's current account deficit is quite comparable to many of its emerging market peers (Figure 5, Panel B).

Figure 5: Current account dynamics: India and peer countries



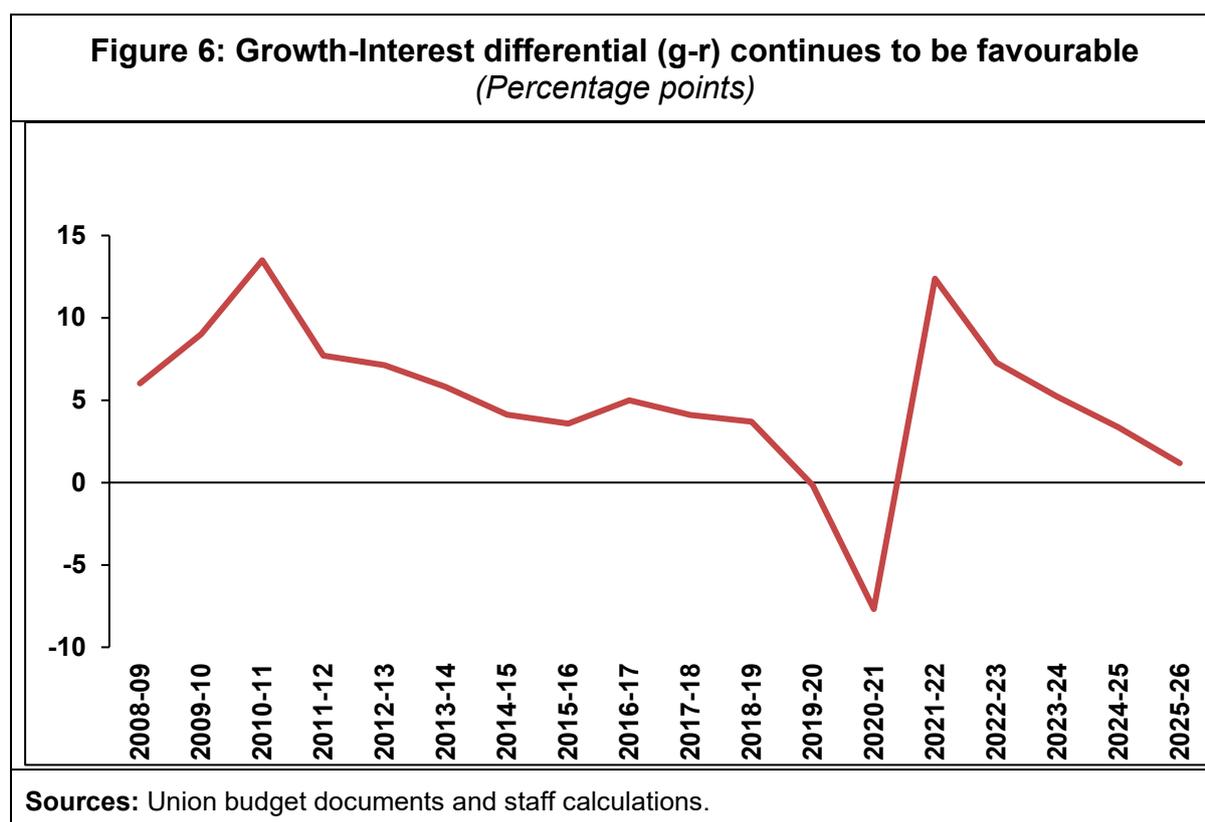
Note: 1. A positive number denotes a surplus while a negative denotes deficit. 2. F implies projection based on 97th round of RBI's Survey of Professional Forecasters, January 2026.
Sources: RBI, IMF, WEO (October 2025).

The resilience of India's current account deficit can be attributed to its diversified sources of inflows, which have only strengthened over time. Services exports and remittances in particular have significantly contributed to the robust inflows. It is expected that the recently announced India-USA trade deal, India-EU free trade agreement (FTA) and the newly signed or prospective new trade agreements will further strengthen the current account.

The move to a formal process to institutionalize fiscal discipline starting with the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 has had a positive impact on macroeconomic management and has helped build resilience.

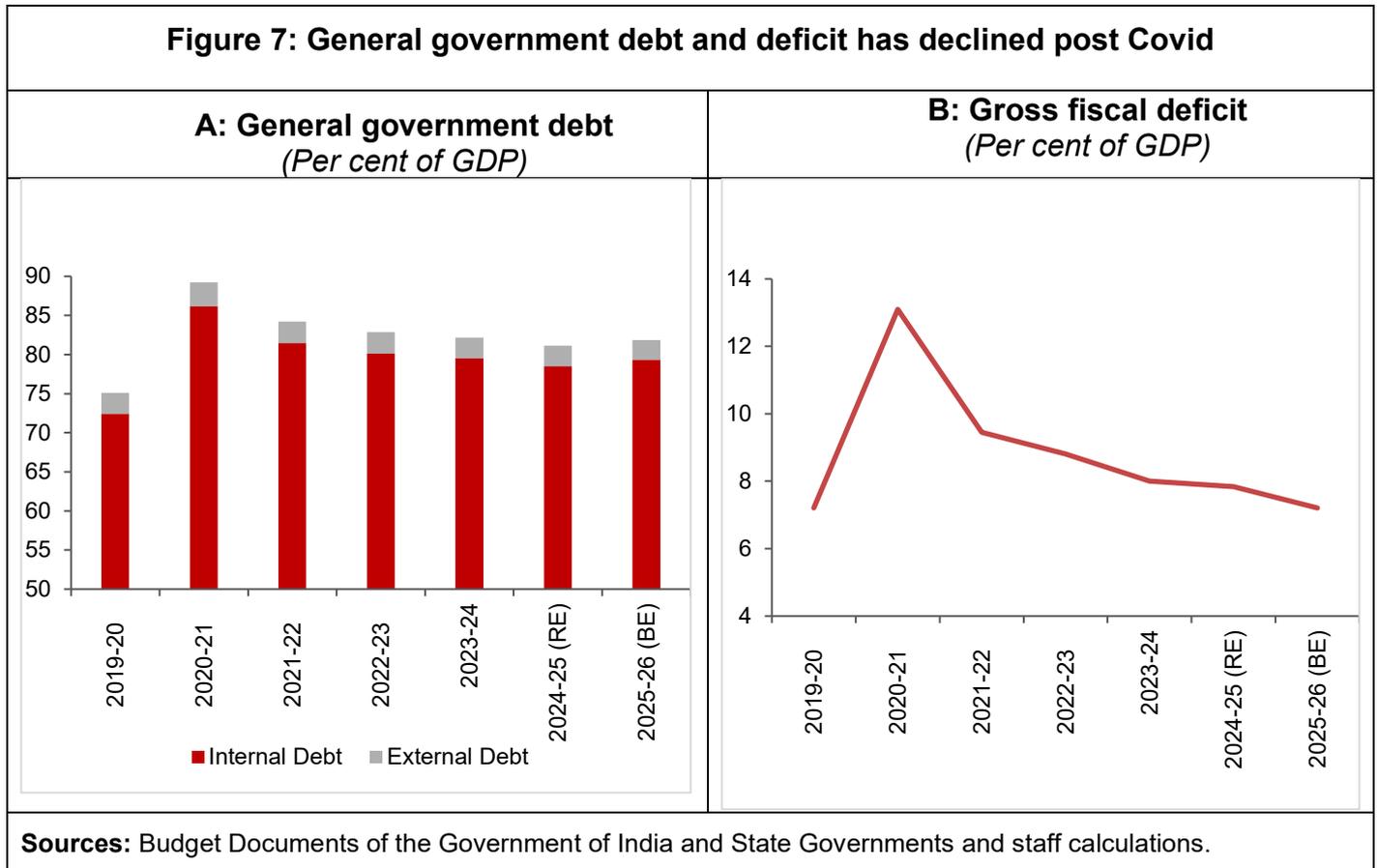
Even though India’s public debt has traditionally been higher than many other countries, Eichengreen, Gupta and Ahmed (2024) note that it is sustainable as per the standard metrics. The fact that a large part of this debt is held domestically, by institutional investors, in long tenors, and is primarily denominated in local currency limits its roll over risk. They further note that under reasonable assumptions, the debt-to-GDP ratio is likely to decline gently (or remain stable).

This is reflected broadly by a persistently favourable real growth rate - real interest rate differential (Figure 6).



The commitment to fiscal consolidation opened the fiscal space during the COVID-19 pandemic to embark on growth supporting and social security measures. Similar to most other countries, India too expanded its public expenditure, leading to rise in fiscal deficit and debt during COVID (Figure 7). But by 2022, as the economy

progressively recovered and strengthened, fiscal policy also shifted gears to a path of consolidation, with a focus on low fiscal deficits and medium-term debt to GDP consolidation targets.



This is in contrast to the patterns seen in advanced and emerging market economies where fiscal deficits and debt levels have, in general, registered an increase since 2022, after a brief decline from their elevated levels during COVID (Tables 2).

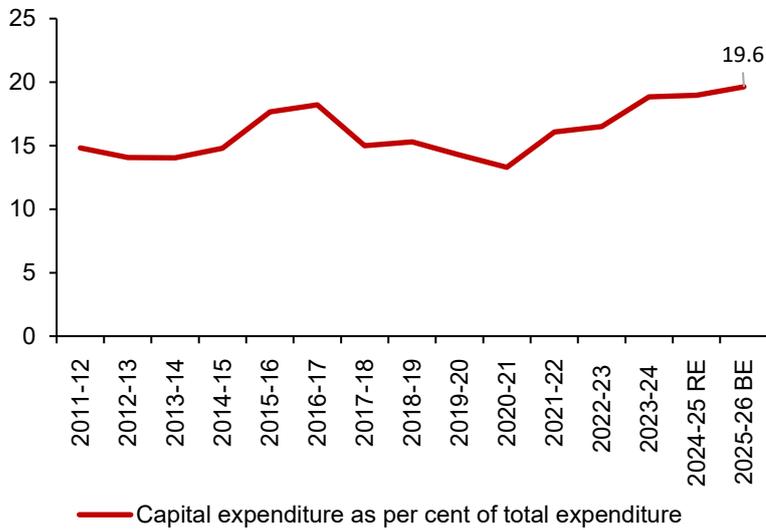
Table 2: Fiscal deficit and gross public debt (as per cent of GDP)

	2020	2021	2022	2023	2024	2025
Fiscal deficit (as per cent of GDP)						
AEs	10.3	7.3	2.9	4.9	5.0	4.6
EU	6.7	4.6	3.1	3.5	3.1	3.3
Japan	9.1	6.1	4.2	2.3	1.5	1.3
UK	13.2	7.7	4.6	6.1	5.7	4.3
US	14.1	11.4	3.7	7.8	8.0	7.4
EMDEs	8.4	4.9	4.8	5.1	5.5	6.1
Brazil	11.6	2.6	4.0	7.7	6.2	8.4
China	9.6	5.9	7.3	6.7	7.3	8.6
South Africa	9.6	5.5	4.3	5.5	5.8	6.0
India	12.9	9.4	9.0	7.4	7.9	7.1
Gross debt (as per cent of GDP)						
AEs	122.2	115.6	109.3	108.5	109.1	110.2
EU	91.3	88.4	83.9	81.9	82.4	83.2
Japan	258.4	253.7	248.2	240.5	236.1	229.6
UK	105.8	105.1	99.6	100.4	101.2	103.4
US	132.5	125.0	119.1	119.8	122.3	125.1
EMDEs	63.6	62.7	62.9	66.9	69.0	72.7
Brazil	96.0	88.9	83.9	84.0	87.3	91.4
China	69.0	70.1	75.5	82.0	88.3	96.3
South Africa	68.9	68.8	70.7	73.2	76.0	77.3
India	88.4	83.5	82.2	80.7	81.6	81.4
Note: AEs- Advanced Economies; EU- European Union; UK- United Kingdom; and US- United States; and EMDEs- Emerging Market and Developing Economies. Source: World Economic Outlook, International Monetary Fund, October 2025.						

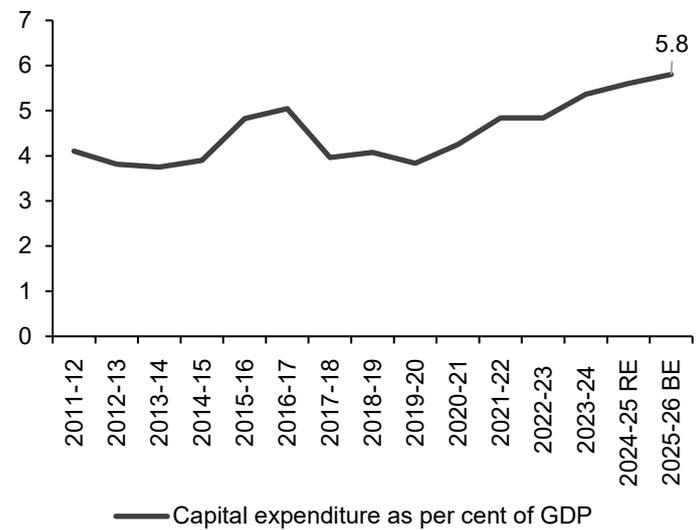
Two additional noteworthy features of the Government finances stand out in the recent period. First, the fiscal consolidation was accompanied by an improvement in the quality of expenditure, with the share of capital expenditure in overall expenditure seeing a dramatic increase in recent years (Figure 8).

Figure 8: Improving quality of government expenditure with focus on capital expenditure

A: Trends in capital expenditure: general government (per cent of total expenditure)



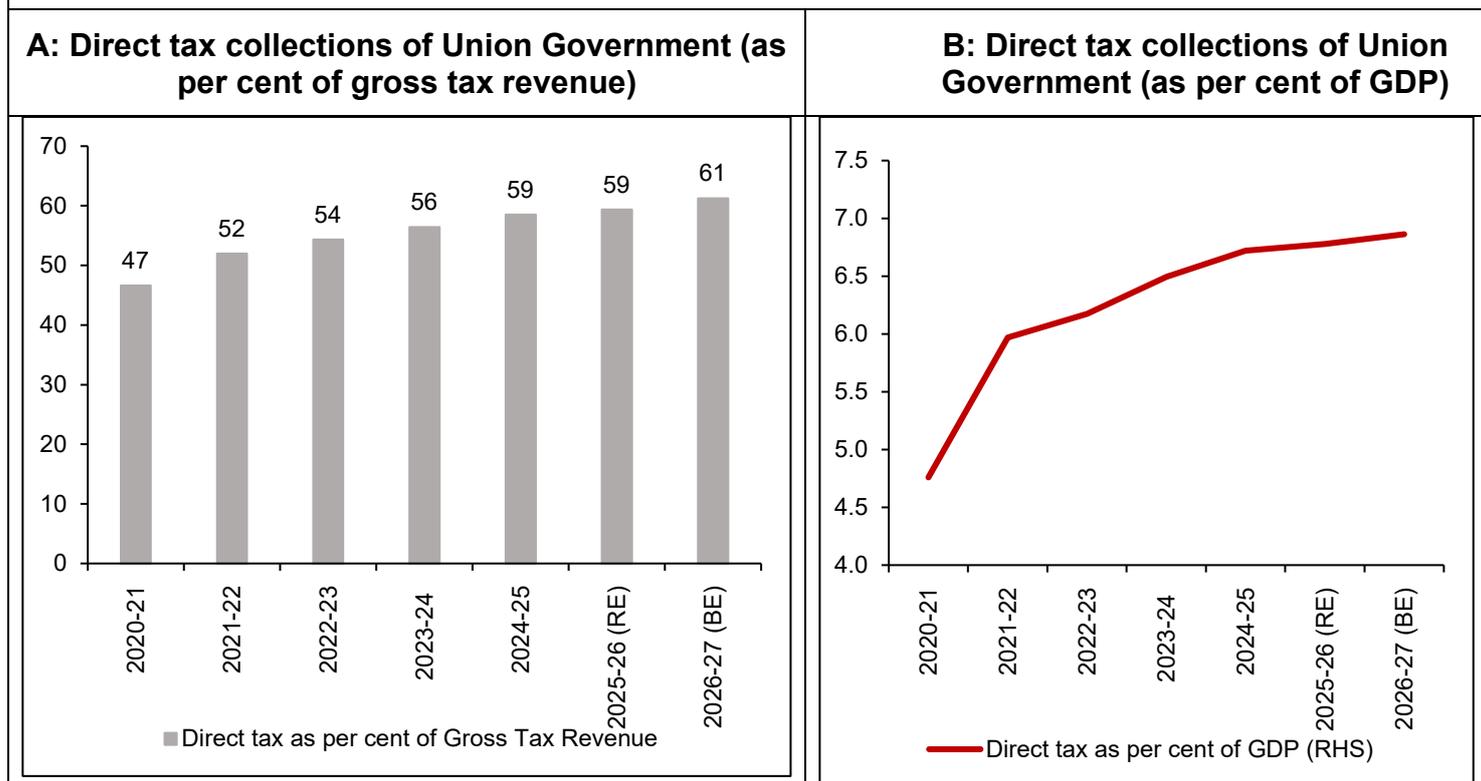
B: Trends in capital expenditure: general government (per cent of GDP)



Sources: Union budget documents and staff calculations.

Second, though revenue receipts of India remain somewhat lower than in many other countries, there are signs of an improvement in direct tax revenue collections of late, with a focus on widening tax base while also progressively rationalising the tax structure (Figure 9). Together, these developments - accelerated growth, moderation in inflation and its lower volatility, moderate and stable current account deficit, consolidation of public finances - underscore the broad-based nature of India's macroeconomic stabilisation.

Figure 9: Greater revenue mobilisation and widening of tax base



Sources: Union Budget Documents and staff calculations.

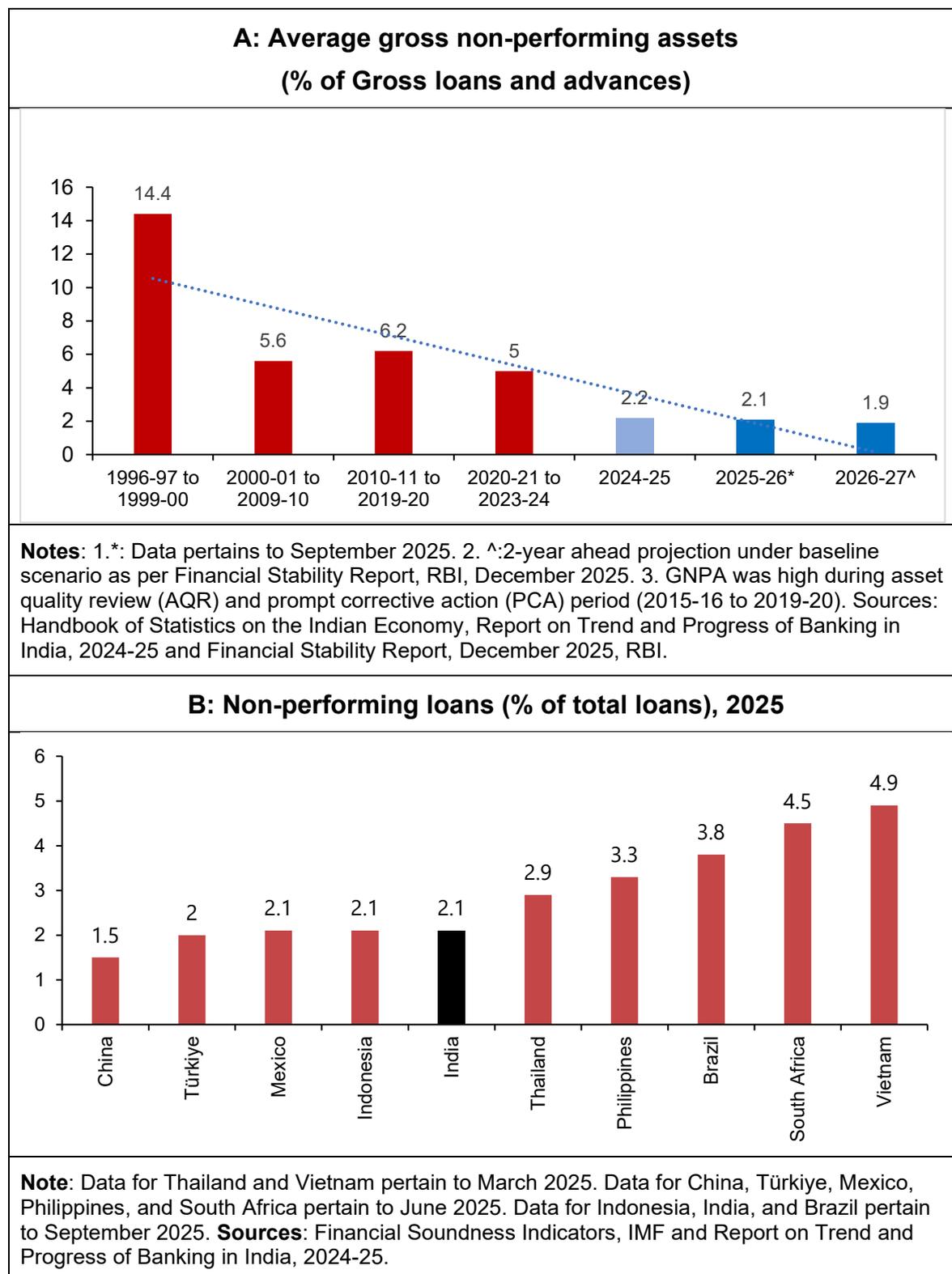
There has been a dramatic improvement in the health of the banking sector, compared to a decade ago (Figure 10, Panel A). After close to a decade of balance sheet repair and successfully withering the shock of the COVID-19 pandemic, Indian banks at present are in a structurally stronger position than in the past. They are also in a better shape relative to their peers in many other countries (Figure 10, Panel B). The improvement is visible across all the key financial ratios.

Capital positions remain robust. The Capital to Risk-Weighted Assets Ratio of scheduled commercial banks stood at 17.2 per cent in September 2025, comfortably above the regulatory minimum. Asset quality has also improved markedly and remains at multi-year highs. The gross non-performing asset (GNPA) ratio declined to 2.1 per cent in September 2025 from 2.5 per cent a year earlier and is much below the 5 per cent seen in the previous two decades.

Liquidity conditions within the banking system are also comfortable. The Liquidity Coverage Ratio stood at 131.7 per cent as of end-September 2025, much higher than the regulatory threshold. Profitability indicators further underscore the

sector's improved health. As of September 2025, the annualised return on assets (RoA) was 1.3 per cent and return on equity (RoE) 13.1 per cent. Net interest margins (NIM) remained healthy at 3.3 per cent.

Figure 10: Steady improvement in health of the banking sector in recent years



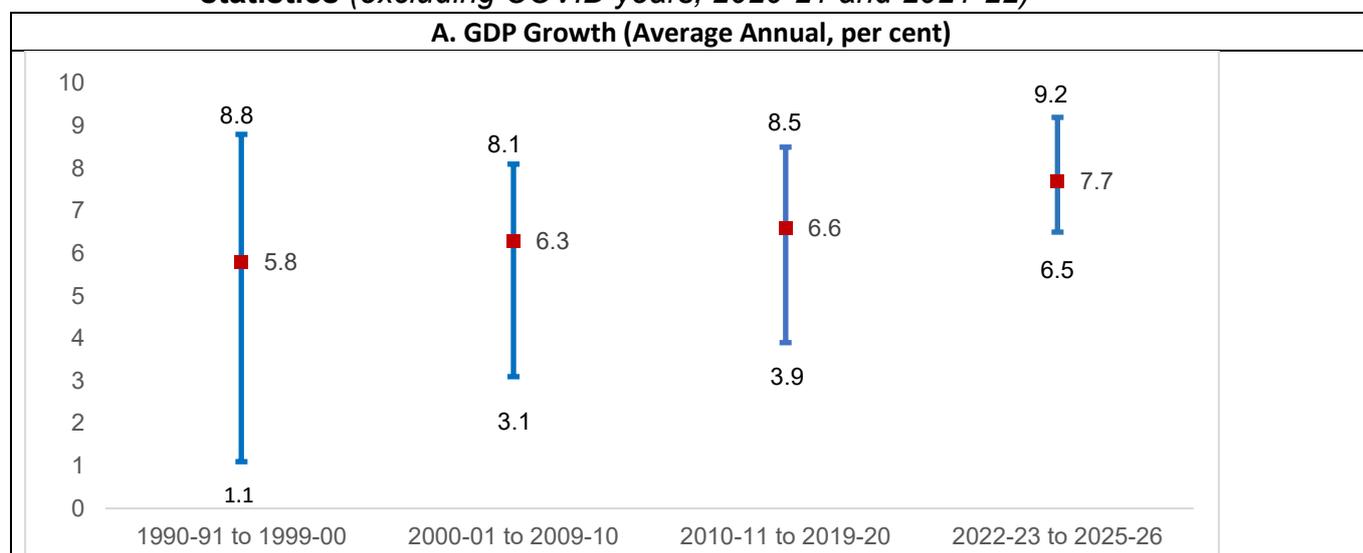
Taken together, at the current juncture, a robust and resilient banking sector and the rapid expansion of the non-banking space are providing the favourable pre-conditions for the domestic financial system to adequately support the ‘Viksit Bharat’ 2047 objectives.

3. Economic outcomes have become less fickle and more predictable

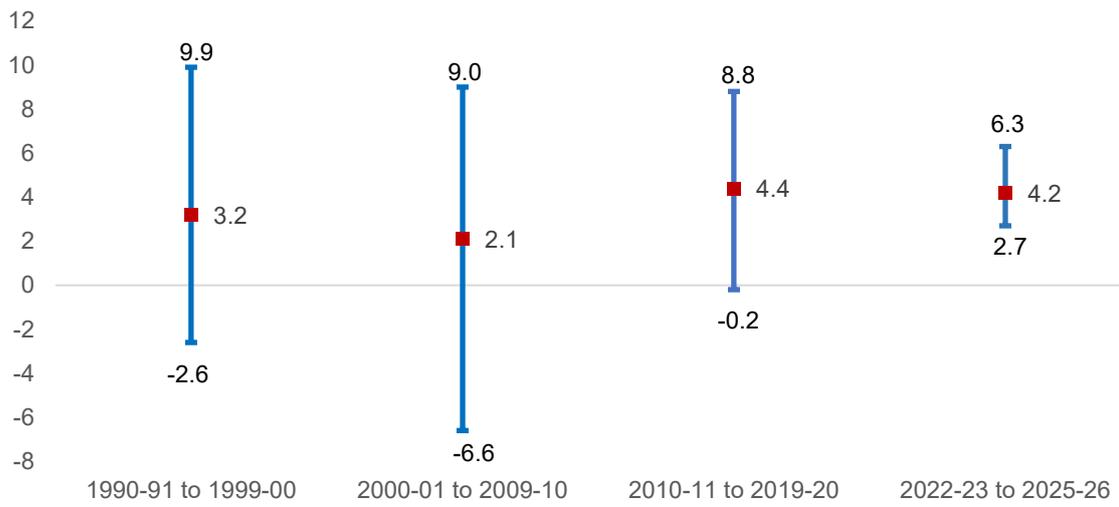
Indian economy is not just growing at an accelerated pace, it is also depicting enhanced macroeconomic stability which is reflected in a whole host of economic outcomes becoming steadier. The economic outcomes now materialize within a narrower range, most notable of which are aggregate economic growth - overall as well as growth across sectors - and inflation (Figure 11).

Agriculture, in particular, has seen its growth improving since 2010, and a marked reduction in growth volatility. Manufacturing growth has remained broadly range-bound, though its volatility too has come down. Services, the main driver of growth from supply side, have experienced distinctly lower volatility over time. Inflation has shown visible and sustained signs of moderation and much reduced volatility. In almost all these variables, the range of outcomes has also shrunk over the decades.

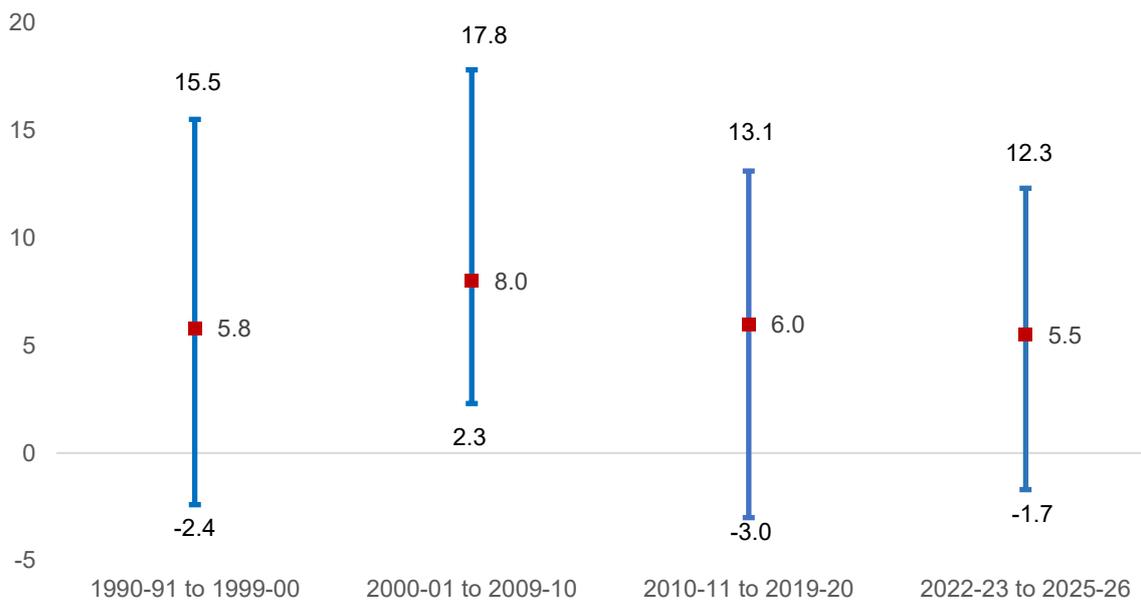
Figure 11: GDP growth (aggregate and sectoral) and CPI inflation: Summary statistics (excluding COVID years, 2020-21 and 2021-22)

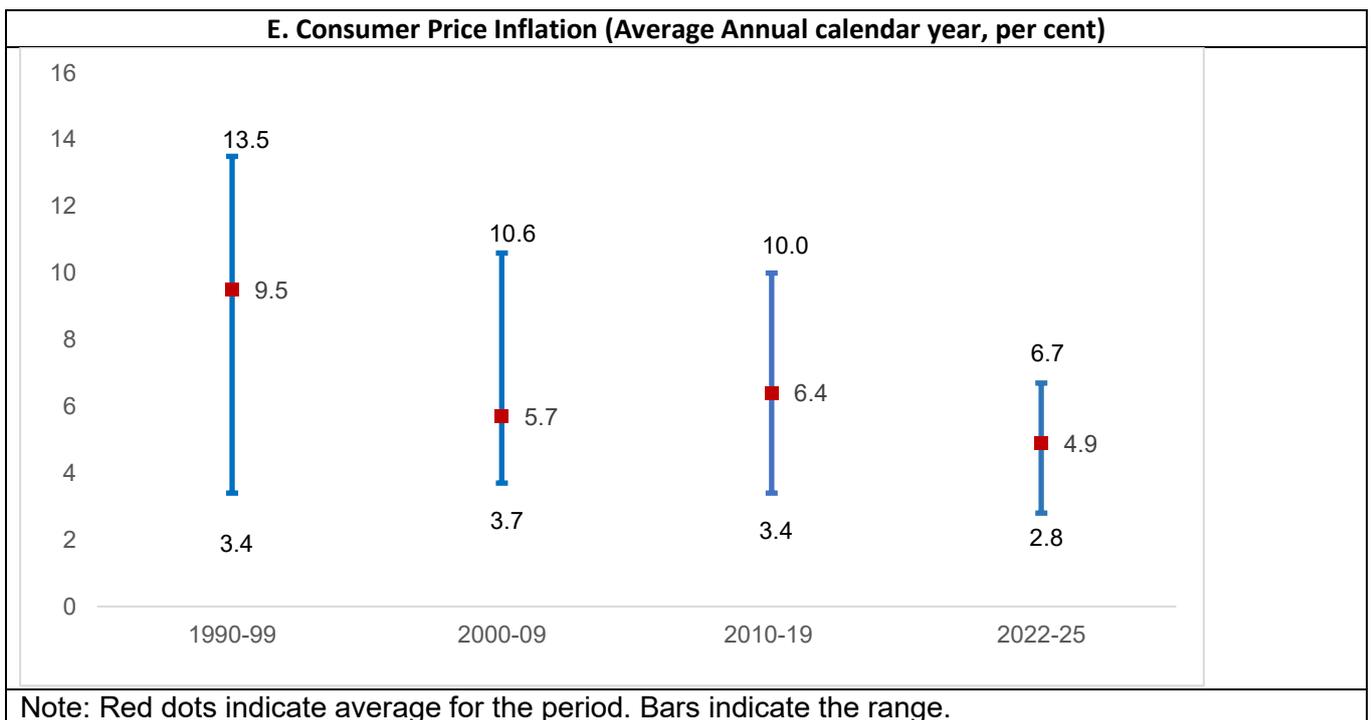
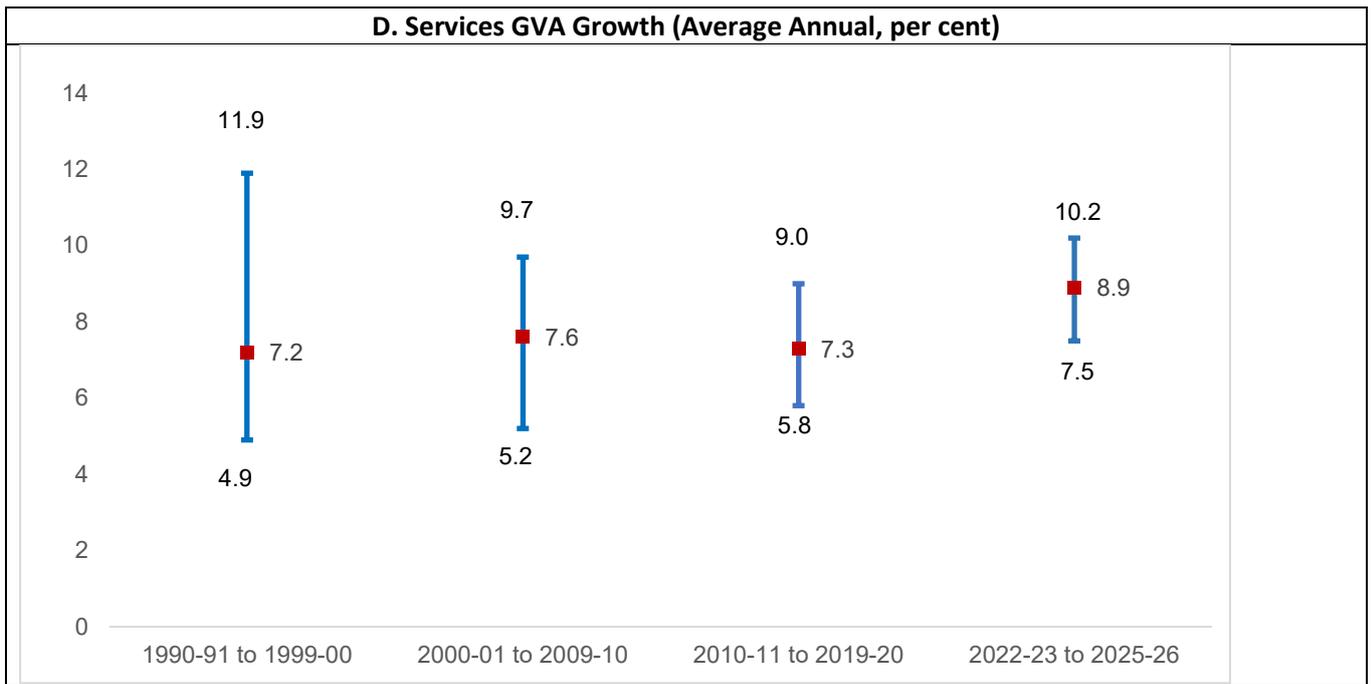


B. Agriculture GVA Growth (Average Annual, per cent)



C. Manufacturing GVA Growth (Average Annual, per cent)





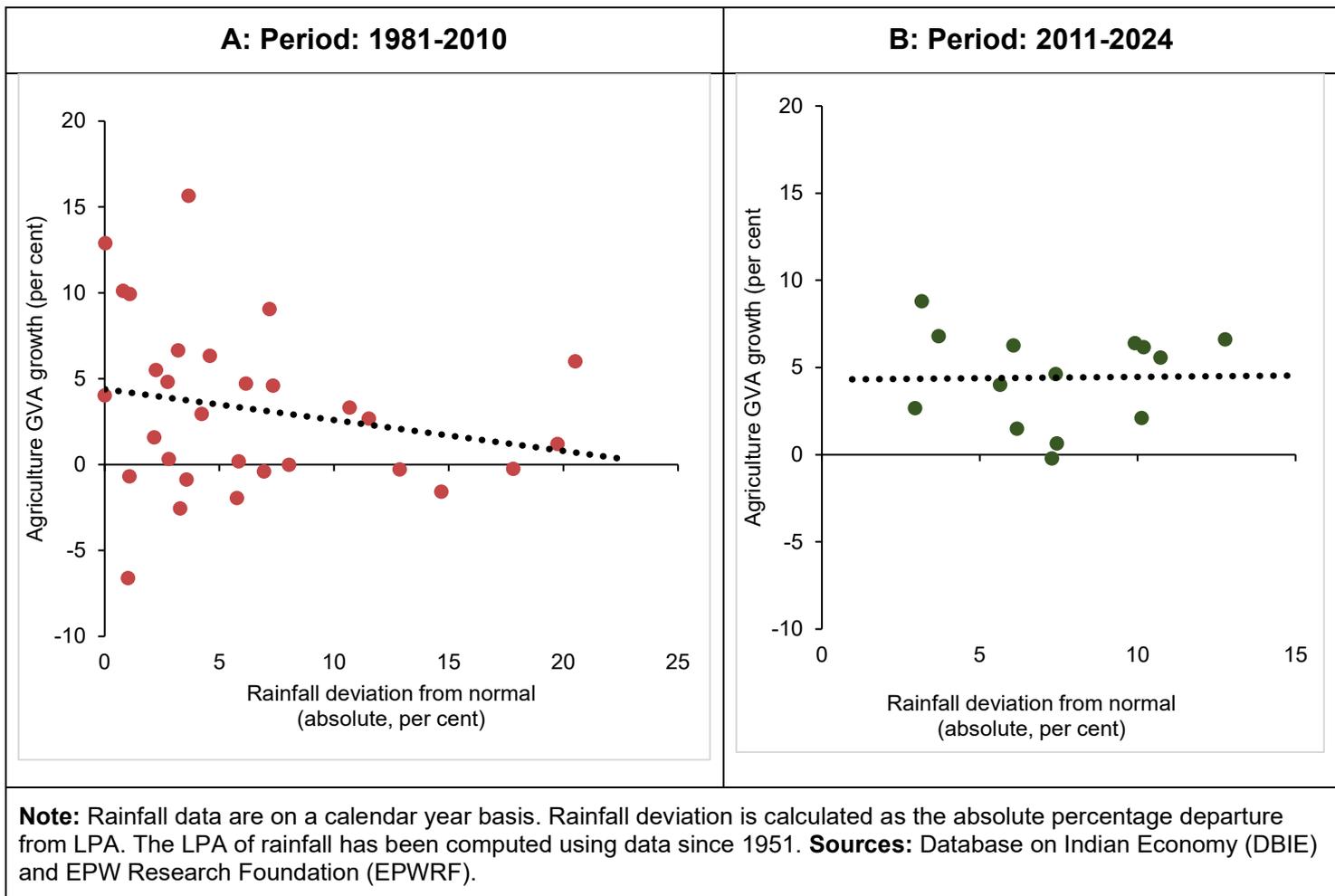
Sources: DBIE, RBI and IMF WEO database.

What could this reduced volatility be attributed to? One possible factor is that the economy has become more resilient to some of the known shocks, both domestic and external, such as deviation in rainfall from long period average, 'other natural

events', 'oil price shocks', 'decline in external demand', or 'global policy uncertainty'. Besides, the strength of its large and well diversified economy is more apparent; and policy decisions becoming ever more timely and nimble.

Agriculture sector is less impacted by the routine deficiency or erratic patterns in rainfall. The negative correlation between agriculture growth and absolute deviation of rainfall from its long period average (LPA) has weakened considerably during 2011-24 as compared with 1980-2010 (Figure 12). This may be attributed to crop diversification, expanded irrigation networks, and availability of more advanced and accurate weather information which allows for timely policy responses to such shocks. This is not to say that we have overcome all the challenges emanating from climate change or weather-related events, but simply that when confronted with the same shocks as witnessed before, agricultural growth, productivity, and resilience thereof are now higher than before.

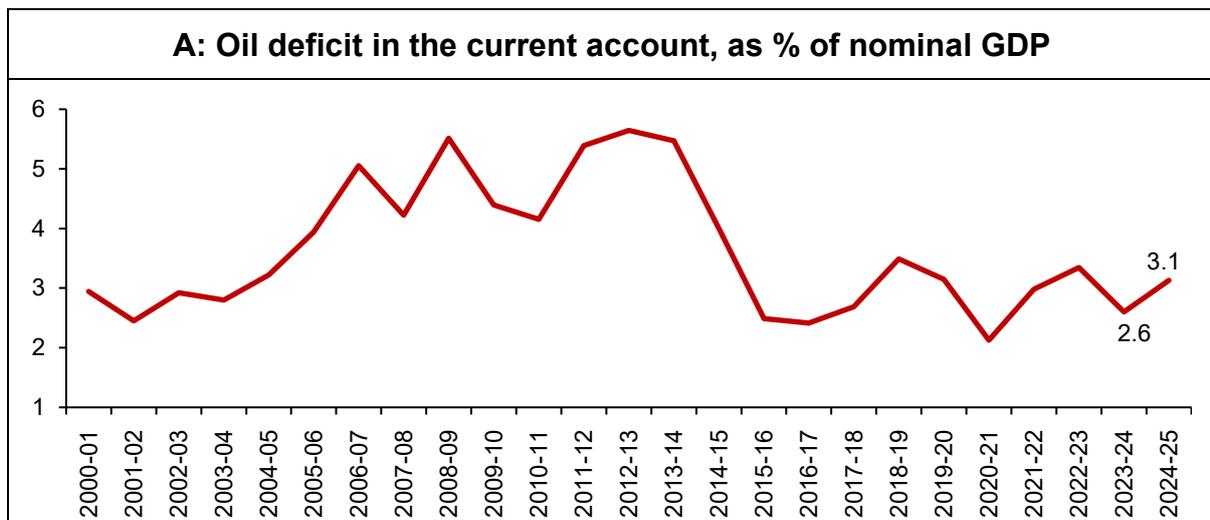
Figure 12: Agriculture growth rate has become more resilient to rainfall shocks



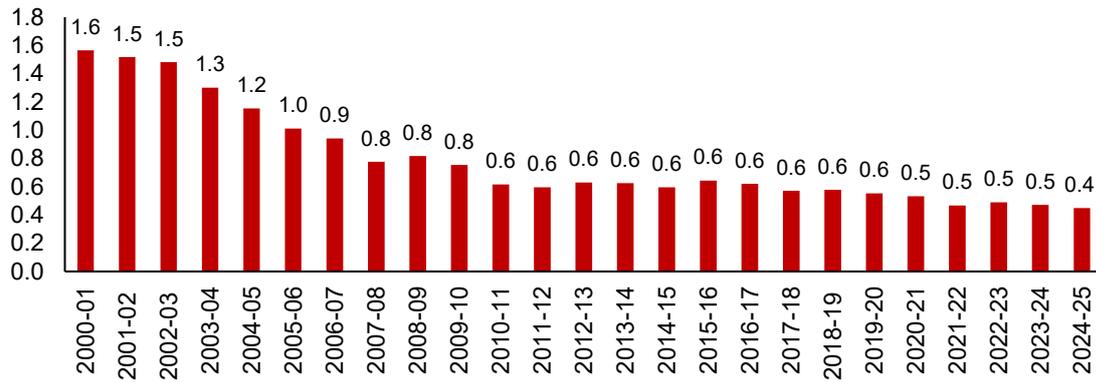
Second, the Indian economy has achieved more insulation from sharp increases in global oil prices. The oil intensity of GDP (consumption of oil per unit of GDP) has been declining consistently (for India as well as for most other countries) (Figure 13). Going forward, this trend is expected to persist as Indian economy transitions towards more focus on renewable energy and improved overall energy efficiency, and composition of output shifts further towards less energy-intensive sectors such as services.

This insulation is partly the reason why it has been possible to maintain a low current account deficit, and why this deficit has been seemingly disconnected from global oil prices. Interestingly, with reduced importance of oil as a source of energy worldwide, sharp spikes in oil prices have become less frequent in recent years. Adding to this, the changed demand supply balance in the oil market has led to a declining trend in global oil prices since the spike of 2022 (Figure 13, Panel C). The decline is sharper in real terms (constant US\$).

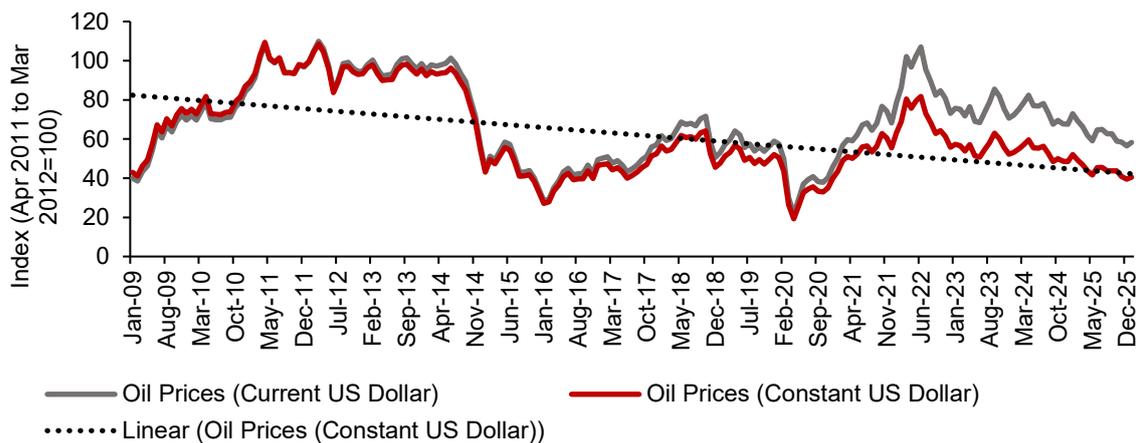
Figure 13: Oil Prices now have a smaller impact on current account and GDP



B: Oil intensity of GDP, thousand barrels consumed per USD billion of GDP



C: Trend in oil prices



Note: Nominal GDP in INR converted into USD terms using annual average INR-USD exchange rate. Domestic consumption of petroleum products converted from thousand metric tonnes to thousand barrels. Crude Oil (petroleum), Price index, 2011-12 = 100, simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh. Constant US Dollar Price is computed by deflating the current US dollar prices with US CPI. **Sources:** RBI DBIE; MoSPI; Ministry of Commerce and Industry; Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas; IMF Primary Commodity Price Data and US Bureau of Labour Statistics.

India's policy frameworks have steadily evolved and today reflect global best practices, while being carefully adapted to domestic realities. In fiscal policy, the Fiscal Responsibility and Budget Management (FRBM) framework has provided a rule-based path for consolidation, even as flexibility was exercised during extraordinary shocks like the pandemic. In tax policy, reforms such as the Goods and Services Tax (GST) have unified the indirect tax system and improved compliance. In monetary policy, the Flexible Inflation Targeting framework introduced in 2016 has helped bring

down both the level and volatility of inflation and strengthened policy credibility (Gupta 2025). In the broader financial sector, strengthened banking supervision, improved capital norms, and regulatory reforms across markets have enhanced resilience.

Finally, despite implementing prudent policy frameworks, emerging market economies remain susceptible to reversals of external capital flows for reasons beyond their control or due to global policy uncertainty, the kind we have been witnessing since the past year. Leveraging past experiences, and using the cushions built during quiet times, the government and the RBI now respond promptly to these shocks. This has further insulated the real economy from the disruptive impact of such reversals.

4. Conclusion

High, stable and accelerating growth, and more predictable economic outcomes have become the hallmarks of the Indian economy. The Indian economy, with its macroeconomic stability, policy consistency, a large and diversified demand base consisting of domestic consumption as well as exports, and a diversified production base is assured of a continuously improving economic trajectory. This is in contrast to a more modest economic promise of most other Emerging and Developing Economies, for they lack one or more of these enabling factors.

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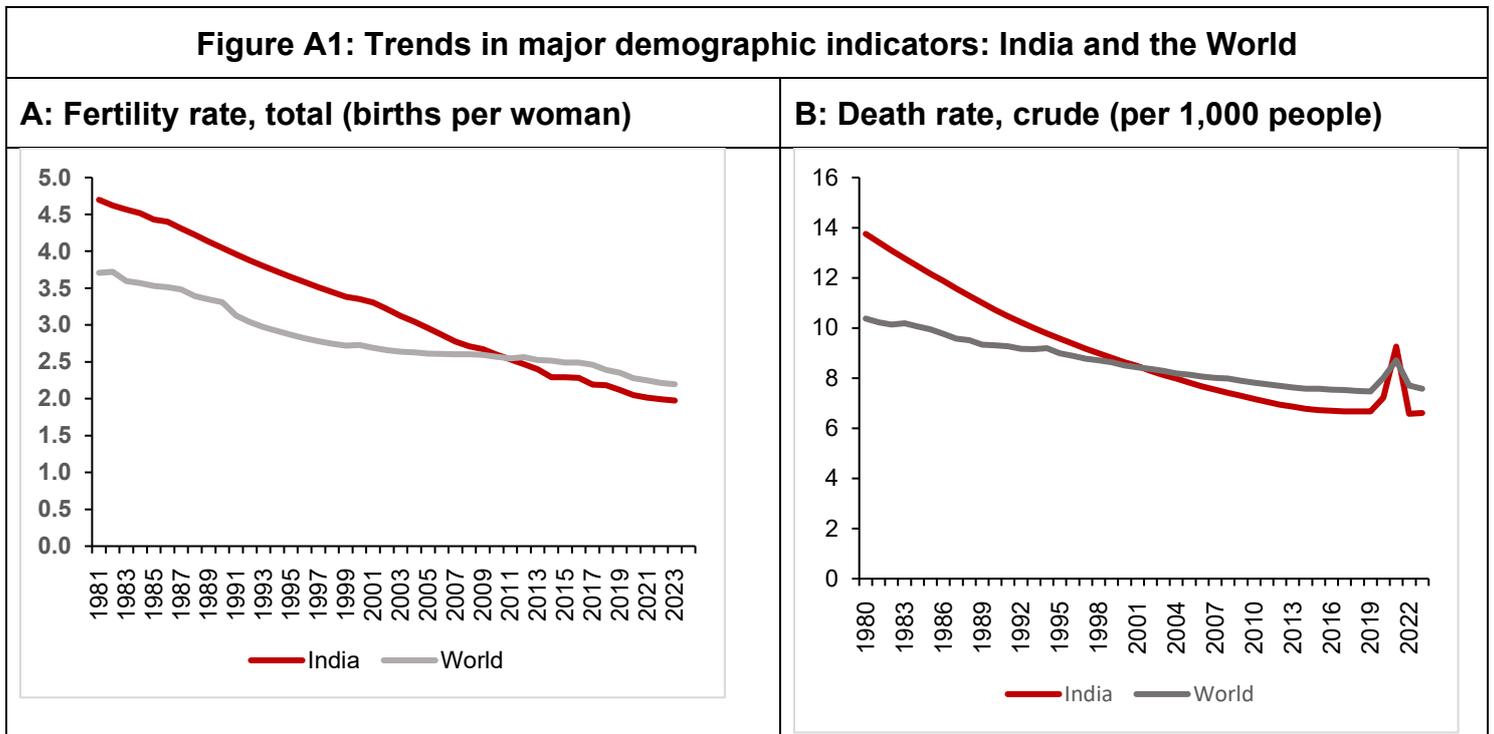
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Annex 1:

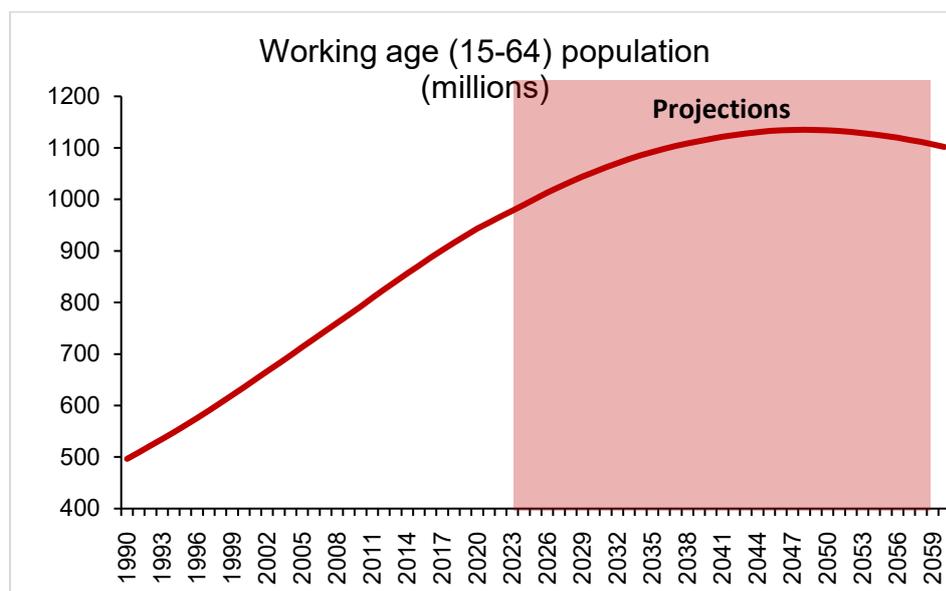
India has achieved a faster decline in fertility rate as well as a faster decline in death rate compared to the world average (Figure A1).



Source: World Development Indicators (WDI) World Bank.

These trends in demography are likely to continue in the years to come. Besides, while population growth is expected to continue to fall the working age population in total population is likely to increase for several more decades (Figure A2).

Figure A2: Projections of population growth and working age population



Source: UN Population Data portal

Annex 2: Trend growth rate in India compared to other Large Emerging Markets

We compare the linear trend in GDP growth rate in India with seven of the largest emerging economies: Brazil, the Russian Federation, South Africa, Malaysia, Mexico, Türkiye, and Indonesia (we refer to these as EM7), during 1980-2024. For this, we estimate regression of the following form:

$$GDPGrowth_{it} = \beta_0 + \beta_1 Trend_t + \beta_2 India_i x Trend_t + \varepsilon_{it} \quad (1)$$

The outcome variable is the 10-year rolling average of GDP growth in country i in year t . β_1 measures the rate of acceleration over time (trend); while the variable $India_i x Trend_t$ interacts India dummy with time trend variable and β_2 measures by how much the trend rate in GDP growth in India is different from that of EM7.

We find that the coefficient of a linear trend for growth rate for EM7 is negative but insignificant, indicating there is no evidence of growth acceleration in these countries. The coefficient of interest, β_2 , is positive 0.069 (Table A1, Column 2) and significant, indicating that India has been able to achieve growth acceleration contrary to the experience of other emerging market economies.

Table A1: Trend in the pace of long-term growth of India and EM7 countries

	(1) Growth	(2) Growth	(3) Growth
Trend	-0.00357 (0.0400)	0.0680*** (0.00606)	-0.00357 (0.0395)
TrendXIndia			0.0716* (0.0395)
Constant	4.363*** (0.872)	4.261*** (0.149)	4.348*** (0.734)
Observations	248	43	291
Adj. R-sq	0.617	0.749	0.626

Sources: WDI and staff calculations. Note: Standard errors are in parentheses. Columns present estimates of a regression of real GDP growth, calculated as a 10-year rolling average, on a linear time trend. The 10-year rolling averages of growth rates are for the current year and the preceding nine years. Symbols: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$