



India's path toward becoming a world leading economy: Opportunities, challenges, and the role of Aatmanirbhar Bharat

Anurodh Prabhakar^{1*} and Danish Masoud²

¹ Assistant Professor, Department of Economics, Inder Singh Rawat Government Degree College, Paukhal (Affiliated to Sridev Suman Uttarakhand University), Tehri Garhwal, Uttarakhand, India

² Assistant Professor, Dept. of Economics, SSSTS Government Degree College, Nainidanda, Pauri Garhwal, Uttarakhand, India

*Corresponding Author: Anurodh Prabhakar

Received 13 March 2026; Accepted 22 Apr 2026; Published 18 May 2026

DOI: <https://doi.org/10.64171/JSRD.5.S2.20-25>

Abstract

In recent years, India has become one of the largest economy growth rates with structural reforms, growing domestic demand and digital transformation, policy efforts to enhance industrial capacity. Some of the research papers point out the fact that India is on its way to becoming a 5 trillion dollar economy, its rising performance in terms of GDP growth compared to other economies and its increasing role in international trade and investments. Meanwhile, researchers underline the presence of long-term socio-economic and structural limitations, which can influence sustainability. The aim of the current review paper is to discuss the opportunities of India becoming a leading economy in the world, discussing the main opportunities, the major challenges, and the role of the policy of Aatmanirbhar Bharat Abhiyan. The paper is premised on systematic review of secondary literature, based on academic research articles, policy papers, and economic reports released in the period between the year 2009 and 2025. The review cites key drivers of growth which include population strength, digital advancement, manufacturing reform, and globalization. It also talks about issues such as unemployment, inequality, fiscal strains and infrastructure deficits. It is concluded in the paper that India has great potential of becoming global economic leader, however, it should continue with reforms, inclusive growth policies and proper implementation of self-reliance policies to achieve long-term success.

Keywords: India, World leading economy, Economic growth, Emerging economy, Structural reforms, Demographic dividend, Digital transformation, Aatmanirbhar Bharat Abhiyan

1. Introduction

A world-leading economy is one that has a strong impact on the world production, trade, finance and technological advancement. These economies cannot be characterized by the extent of their Gross Domestic Product (GDP) only, but by the long-term growth, trade competitiveness, ability to innovate, institutional strength, and strategic global influence (Bacchoo, 2024; Mukherji, 2009) [2, 11]. The common indicators to evaluate the global economic leadership are the size and growth rate of its GDP, its share in world trade, its sector composition, the level of technological development, and the capacity to influence the trends in the world economy (Bikshapathi, 2024; Nigam, 2024; Taru, 2024) [4, 12, 20]. The economic transformation of India started by the liberalization reforms in 1991 and transitioned into a state-operated economy to a more market-oriented and globalized state of the economy. These reforms encouraged foreign investment, privatization, and openness to trade, which became the basis of long-term development (Shamsi *et al.*, 2014) [16]. Over the past few years, India has become one of the fastest-growing leading economies, and the country aims to become a 5 trillion economy and enhance its economic position in the world (Gupta *et al.*, 2021; Suman *et al.*, 2024) [6, 19]. Economic change has also been quickened by structural reforms between 2014 and 2024, as well as, digital

growth and industrial projects (Kumar, 2025; Sapitri, 2025) [10, 15]. Simultaneously, researchers note that there are long-term socio-economic issues that can influence sustainable growth (Abhimanyu & Yogesh, 2025) [7]. The policy measures like Aatmanirbhar Bharat Abhiyan are meant to increase self-sufficiency, boost domestic production, and create a resilience in the post-COVID period (Rathore, 2023; Bhardwaj & Sharma, 2024; Ankith, 2022) [13, 3, 1]. This study is rationale-based by reviewing the prospects of India emerging as a global leading economy critically by analyzing the drivers of growth, structural constraints and the contribution of recent policy initiatives. The paper is organized in the following way: the conceptual framework is provided next, the analysis of opportunities and challenges is offered, the role of Aatmanirbhar Bharat is discussed and the policy recommendations are given.

2. Conceptual framework: determinants of a world leading economy

To turn into a world-leading economy, it is not just the high GDP growth rate that is needed, but sustainable development, technological dominance, institutional strength, and high productivity. Both classical and modern growth models such as the Solow Growth Model and the Endogenous Growth Theory

have focused on capital accumulation, technological advancement, human capital and institutional quality as some of the major determinants of long run economic growth. Based on these frameworks, there are five interdependent determinants that are important in evaluating the path of India.

2.1 Economic sustainability in the size and growth

The economic influence in the world is influenced by economic size, in form of GDP. But it is not short term expansion but sustainability of growth which is a key aspect of global leadership. It is the Solow model which focuses on capital deepening and technological advancement as a contributor to steady-state growth. India has shown high growth rates in comparison with the key economies, which makes it one of the fastest-growing large economies (Nigam, 2024; Gupta *et al.*, 2021) [12, 6]. Nevertheless, to continue this trend, the organization will need to change its structure and improve productivity (Kawale & Nanotkar, 2024) [8].

2.2 Technological leading and innovation

Endogenous growth theory identifies innovation, research and technology transfers and knowledge spill overs as growth drivers in the long run. The productivity and competitiveness in the world are improved by technological advancement. Those emerging economies, which convert to innovation-based systems, attain long-term leadership (Sapitri, 2025) [15]. The policy actions and digital transformation in India towards local production and innovation under the Aatmanirbhar Bharat are an attempt to increase technological self-reliance (Rathore, 2023) [13].

2.3 Global integration and trade competitiveness

Trade and foreign investment allow global integration whereby economies are able to access markets, technology and capital. Economic leadership is based on export competitiveness, diversification, and involvement in global value chains (Shamsi *et al.*, 2014) [16]. The comparison with other developed economies indicates that developed economies have a high level of industrial and export competitiveness, and India needs to make its manufacturing competitiveness better to gain a better position in the world (Bikshapathi, 2024) [4].

2.4 Strength and governance of institutions

The institutional economics highlights that the stability in governance, the quality of regulations and policy consistency encourages investor confidence and economic stability. The state capacity and developmental governance are also seen to play a key part in economic development in the long run (Mukherji, 2009) [11]. The recent reforms and shifts in the structural policy in India have been directed towards the enhancement of ease of doing business and macroeconomic resilience (Kumar, 2025) [10].

2.5 Human capital and productivity

Human capital education, skills, and health are central in endogenous growth models. Productivity gains arise from

skilled labor and technological adaptation. India's demographic advantage provides potential for a "demographic dividend," but realizing it requires investments in skill development and labor productivity enhancement (Bacchoo, 2025) [2]. Without improvements in productivity, rapid growth may not translate into global economic leadership.

Figure 1 presents the conceptual framework illustrating the interrelationship between human capital, technological innovation, trade integration, institutional strength, and industrial policy in driving sustainable economic transformation.

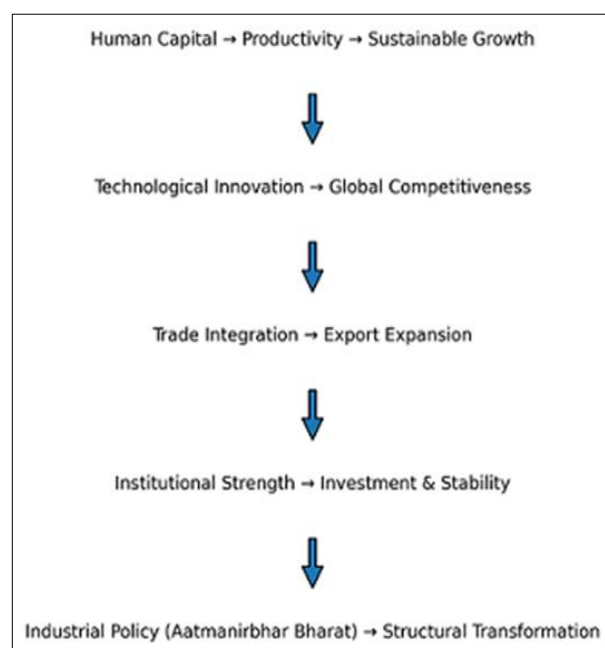


Fig 1: Conceptual framework linking growth determinants to India's global economic aspirations. Source: (Mukherji, 2009) [11], (Sapitri, 2025) [15]

3. India's current economic position

India has emerged as one of the world's fastest-growing major economies and is increasingly positioned as a significant global economic actor.

3.1 GDP ranking (Nominal and PPP)

India ranks among the top global economies in both nominal GDP and purchasing power parity (PPP) terms. Studies indicate that India has surpassed several major economies in growth rate performance, reinforcing its ambition to achieve a \$5 trillion economy (Nigam, 2024) [12] (Suman *et al.*, 2024) [19]. Under PPP terms, India ranks even higher globally, reflecting strong domestic consumption and market size (Kawale & Nanotkar, 2024) [8]. As shown in Figure 2, India has consistently maintained higher average GDP growth rates compared to major advanced economies during the post-2014 period, despite temporary contraction during the COVID-19 shock (Nigam, 2024) [12].

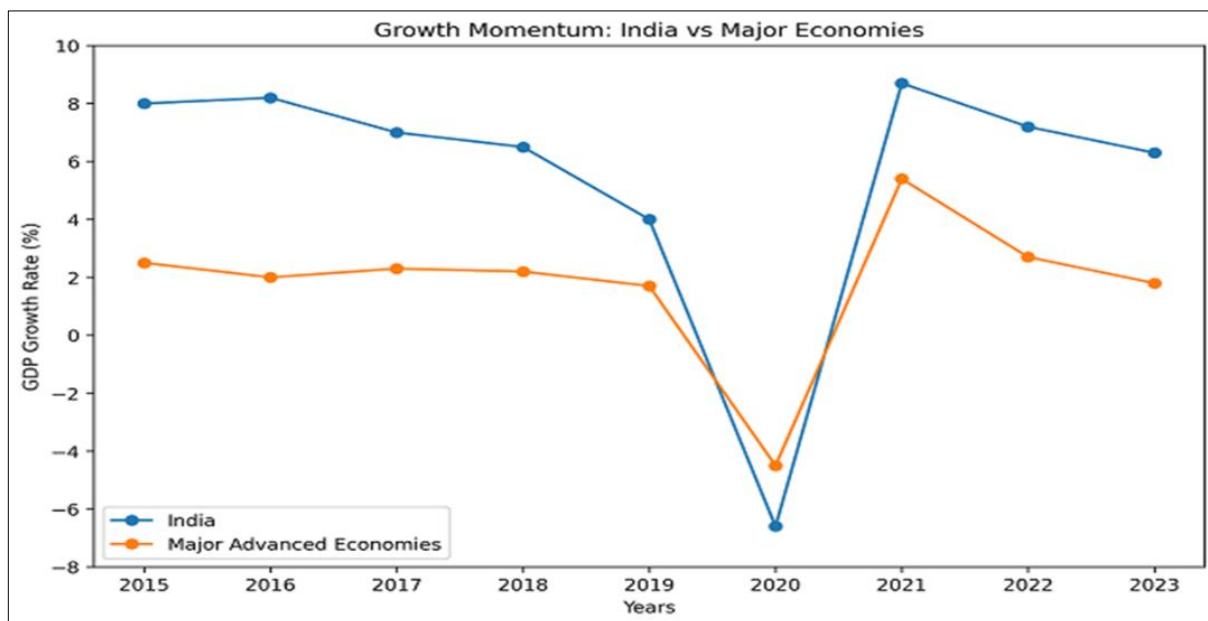


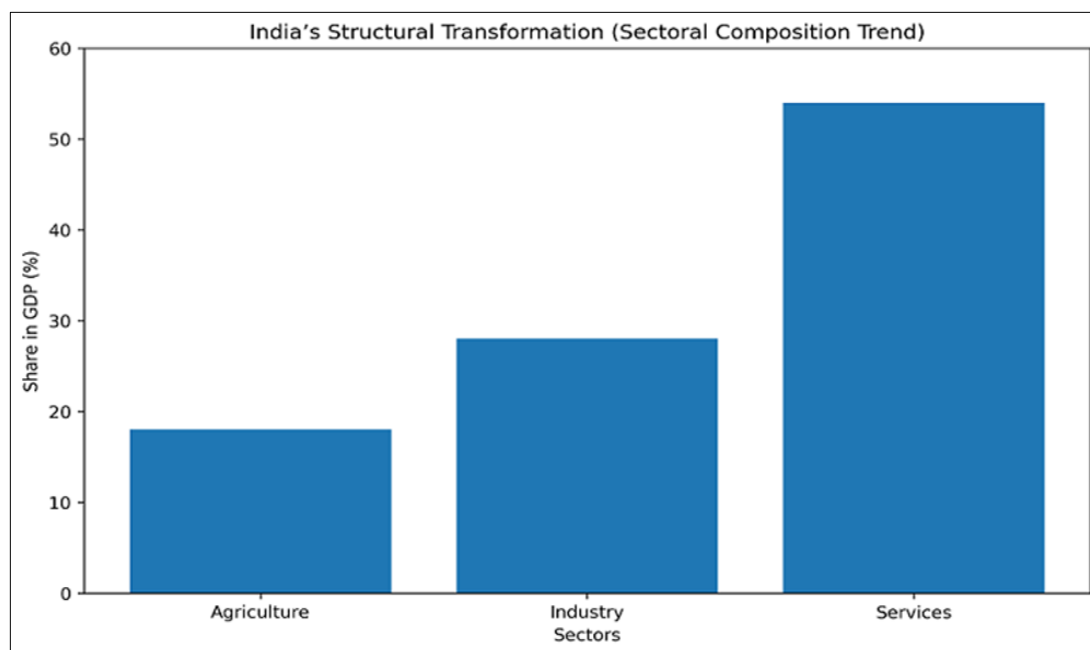
Fig 2: Comparative GDP growth performance of India relative to major global economies. Source: (Nigam, 2024) [12].

3.2 Sectoral composition (Agriculture, Industry, Services)

India’s economy has shifted structurally from agriculture to services, with services contributing the largest share to GDP, followed by industry, while agriculture’s share has declined (Bikshapathi, 2024) [4]. Compared to developed economies, India’s industrial base remains relatively smaller, highlighting

the need for manufacturing expansion to achieve balanced growth (Gupta *et al.*, 2021) [6].

As shown in Figure 3, India’s GDP composition reflects a clear structural transformation characterized by a declining share of agriculture, moderate industrial contribution and a dominant and expanding services sector.



Source: (Bikshapathi, 2024) [4], (Gupta *et al.*, 2021) [6]

Fig 3: Sectoral composition of India’s GDP showing structural shift toward services.

3.3 FDI inflows and export performance

Foreign Direct Investment (FDI) inflows have increased significantly over the past decade, reflecting improved investor confidence and market attractiveness (Kumar, 2025) [10]. However, export performance remains concentrated in select sectors, necessitating diversification and manufacturing competitiveness to strengthen global trade positioning (Shamsi *et al.*, 2014) [16].

3.4 Digital economy and financial inclusion

India’s digital transformation supported by fintech expansion and digital payment systems has enhanced financial inclusion and economic formalization. Post-2014 reforms and digitalization initiatives have significantly reshaped economic transactions and governance efficiency (Kumar, 2025) [10]. These developments align with broader self-reliance objectives under Aatmanirbhar Bharat (Bhardwaj & Sharma, 2024) [3].

3.5 Macroeconomic stability indicators

Macroeconomic stability measured through inflation control, fiscal management and foreign exchange reserves remains critical for sustained growth. Despite global disruptions, India

has maintained relative macroeconomic resilience compared to many economies (Taru, 2024) ^[20]. Continued fiscal prudence and structural reforms are essential to maintaining investor confidence and growth momentum.

Table 1: India's Macroeconomic Position and Growth Indicators (Source: Compiled from (Nigam, 2024) ^[12] (Gupta *et al.*, 2021) ^[6] (Bikshapathi, 2024) ^[4] (Kumar, 2025) ^[10] (Taru, 2024) ^[20])

Indicator	Trend/Position	Key insight	Supporting references
GDP Growth Rate	Among fastest growing major economies (post-2014 period)	Sustained high growth relative to advanced economies	(Nigam, 2024) ^[12] (Gupta <i>et al.</i> , 2021) ^[6]
Nominal GDP Ranking	Among top global economies	Moving toward \$5 trillion target	(Suman <i>et al.</i> , 2024) ^[19] (Kawale & Nanotkar, 2024) ^[8]
PPP Ranking	Higher global rank under PPP	Strong domestic consumption base	(Kawale & Nanotkar, 2024) ^[8]
Sectoral Shift	Services dominant; industry moderate; agriculture declining	Structural transformation underway	(Bikshapathi, 2024) ^[4]
FDI Inflows	Increasing trend	Improved investor confidence	(Kumar, 2025) ^[10]
Digital Economy	Rapid expansion	Enhanced financial inclusion and formalization	(Kumar, 2025) ^[10] (Bhardwaj & Sharma, 2024) ^[3]
Macroeconomic Stability	Moderate inflation and improved resilience	Stable despite global disruptions	(Taru, 2024) ^[20]

As summarized in Table 1, key macroeconomic indicators including GDP ranking, sectoral composition, FDI inflows and digital expansion collectively illustrate India's strengthening position in the global economy.

4. Opportunities for India

India has several structural strength which can hasten its transformation into a leading economy in the world.

4.1 Demographic dividend

India has a high population with a high number of young people that is a great demographic advantage. An increasing number of working-age population has the potential to boost labor supply, savings, and productivity provided that they are well skilled and employed (Bacchoo, 2025) ^[2]. The demographic situation in India has long-term growth opportunities compared to the age-old developed economies (Sapitri, 2025) ^[15].

4.2 Digital transformation and IT leadership

India has become a leader in information technology and digital services in the world. E-governance, fintech growth and digital reforms have enhanced economic efficiency and financial inclusion (Kumar, 2025) ^[10]. Digital economy increases productivity and competitiveness at the global scale, which makes India advantaged in the field of knowledge-based economies (Gupta *et al.*, 2021) ^[6].

4.3 Manufacturing expansion and industrial policies

In order to have balanced growth, the manufacturing should be expanded. Make in India and Aatmanirbhar Bharat are some of the initiatives that are meant to enhance local manufacturing and international competitiveness (Sahu, 2021) (Rathore, 2023) ^[13]. Export capacity can be raised and the dependence on imports can be decreased with the help of industrial reforms and sectoral incentives (Suman *et al.*, 2024) ^[19].

4.4 Start-up and innovation ecosystem

India is increasing its start-up ecosystem which leads to the creation of employment, technological innovation and inflow of investments. Entrepreneurship and MSMEs are supported by policies to boost innovation driven growth (Bhardwaj and Sharma, 2024) ^[3]. The innovation-based development is associated with endogenous growth theory that puts focus on knowledge as a catalyst of long-term economic growth (Sapitri, 2025) ^[15].

4.5 Renewable energy and sustainable growth

Renewable energy increases sustainable growth, which increases economic resilience in the long-term. Green industrialization will decrease energy importation, and assist in world climate obligations. India also has its sustainable development strategies which make the country more economically credible in the world (Taru, 2024) ^[20].

5. Issues in becoming a world leading economy

Structural and macroeconomic issues are still high despite the momentum growth.

5.1 Unemployment and skill gap

High unemployment especially the youth makes it difficult to have a productive use of the demographic dividend. Mismatches in skills lead to low productivity and efficiency in the labor market (Abhimanyu and Yogesh, 2025) ^[7]. Vocational training and human capital development is also a critical issue to address in order to grow in the long-term (Bacchoo, 2025) ^[2].

5.2 Inequality in income

Economic growth has not been spread equally. The urban and rural populations still have income differences that may influence the social stability and consumption behavior (Shamsi *et al.*, 2014) ^[16]. The issue of inclusive growth is still an important policy concern (Kawale & Nanotkar, 2024) ^[8].

5.3 Infrastructure deficit

The infrastructure shortages in transport, logistics and energy add to production costs and decrease the global competitiveness. Comparative studies have shown that developed economies have a better system of industrial infrastructure (Bikshapathi, 2024)^[4].

5.4 Fiscal deficit and public debt

Fiscal pressure has risen due to consistent public spending especially in the periods of crisis. Although fiscal consolidation is necessary in the stimulation of growth, it is also relevant in the stability of the macroeconomy.

5.5 Import dependence and trade imbalance

India is still reliant on imports in some sectors which are vital

like energy and high quality manufacturing inputs. The trade deficits can undermine the external stability unless the export diversification is reinforced (Shamsi *et al.*, 2014)^[16] (Taru, 2024)^[20].

5.6 Economic uncertainty in the world

World decelerations, geopolitical conflicts and supply chain disruptions are external weaknesses. India as a more integrated economy needs to work around the global volatility (Nigam, 2024)^[12] (Sapitri, 2025)^[15].

As articulated in Table 2, the growth trend in India can be characterized by a high level of opportunities and endemic structural problems that will define the economic transformation in the country in the long run.

Table 2: Opportunities and Challenges in India’s Growth Trajectory (Sources: Compiled from references (Bacchoo, 2025)^[2] (Abhimanyu & Yogesh, 2025)^[7] (Sahu, 2021) (Rathore, 2023)^[13] (Bhardwaj & Sharma, 2024)^[3] (Ankith, 2022)^[1] (Shamsi *et al.*, 2014)^[16] (Taru, 2024)^[20] (Sapitri, 2025)^[15] (Dixit, 2023).

Dimension	Opportunities	Challenges	Key references
Demographics	Large working-age population	Skill gap, unemployment	(Bacchoo, 2025) ^[2] (Abhimanyu & Yogesh, 2025) ^[7]
Industrial Policy	Make in India; Aatmanirbhar Bharat	Risk of protectionism	(Sahu, 2021)(Rathore, 2023) ^[13]
MSME Sector	Credit support & reforms	Limited scale & productivity	(Bhardwaj & Sharma, 2024) ^[3] (Ankith, 2022) ^[1]
Trade	Export diversification potential	Trade deficit, import dependence	(Shamsi <i>et al.</i> , 2014) ^[16] (Taru, 2024) ^[20]
Innovation	Expanding start-up ecosystem	R&D investment gaps	(Sapitri, 2025) ^[15]
Fiscal Policy	Stimulus-led recovery	Rising fiscal pressure	(Dixit, 2023)

6. The Role of Aatmanirbhar Bharat Abhiyan

The Aatmanirbhar Bharat Abhiyan is a move towards being self-reliant but being internationally integrated in development.

6.1 Goals and strategic vision

The project intends to build self-reliance, develop local industries, and become more resilient to global shocks (Rathore, 2023)^[13]. It aims to make India a manufacturing and export center and continue to be competitive in the world (Khati, 2022).

6.2 MSME Support and industrial reforms

MSMEs have been specifically given focus by providing them with financial support and credit guarantees, as well as regulating reforms (Bhardwaj & Sharma, 2024)^[3]. MSMEs play an important role in the creation of employment and exports (Ankith, 2022)^[1].

6.3 Import substitution and self-reliance

The policies that promote local production in such areas as defense, electronics and manufacturing are to decrease the import dependence (A. Singh, 2023).The aim of the import substitution strategies is to empower the domestic capacity without full economic isolation (Sahu, 2021).

6.4 COVID-19 economic stimulus

This program was created in the COVID-19 crisis and is a stimulus and recovery system that helps the vulnerable sectors and restores supply chains (Ankith, 2022)^[1] (Dixit, 2023).

6.5 Strengths and criticisms

Although the initiative enhances local production and resiliency, it is important to note that critics fear overprotecting the economy, which will decrease global competitiveness (P. Singh, 2020) (Rathore, 2023)^[13]. It is still necessary to implement it with balance.

7. Comparative perspective

This can be compared to major economies and this would yield good insights. The US has been leading in terms of technological innovations, institutional strength and capital markets (Mukherji, 2009)^[11]. China experienced fast development due to export-oriented production, the development of infrastructure, and the industrial policy of the state (Shamsi *et al.*, 2014)^[16].

Lessons for India

- Enhance manufacturing competitiveness (China model)
- Invest in innovation and institutions (U.S. model)
- Be open as well as encouraging domestic capacity (Kawale & Nanotkar, 2024)^[8].

8. Policy recommendations

Short-term

- Strengthen employment generation and skill development programs
- Maintain macroeconomic stability and fiscal prudence
- Support MSMEs and export-oriented sectors(Bhardwaj & Sharma, 2024)^[3]

Medium-term

- Expand manufacturing competitiveness
- Invest in infrastructure and logistics
- Promote technological R&D and digital transformation (Suman *et al.*, 2024)^[19]

Long-term

- Enhance human capital development
- Strengthen institutional governance
- Transition toward innovation-driven and sustainable growth(Sapitri, 2025)^[15]

9. Conclusion

India stands at a critical juncture in its journey toward becoming a world leading economy. Strong GDP growth, demographic advantage, digital leadership, and industrial policy reforms provide substantial opportunities. However, structural challenges including unemployment, inequality, infrastructure deficits and global uncertainty must be addressed strategically. The Aatmanirbhar Bharat initiative offers a framework for enhancing domestic capacity while maintaining global integration. A balanced approach that combines innovation, institutional strengthening, inclusive growth, and sustainable development will determine whether India can transition from a fast-growing economy to a stable global economic leader.

References

1. Ankith C. Role of Atmanirbhar Bharat in reshaping Indian economy during post COVID era. GAP Interdisciplinary. 2022;1:66-69.
2. Bacchoo AD. The growth of India as an economic superpower [Internet]. Available from: <https://doi.org/10.5281/zenodo.15314668>
3. Bhardwaj S, Sharma S. Role of Atmanirbhar Bharat Abhiyan in transforming Indian economy: an explorative study. 2024;7(1):343-349.
4. Bikshapathi M. A comparative analysis of GDP composition between India and the top 10 developed economies across regions. 2024;11(7):1149-1162.
5. Dixit P. A study on the challenges faced by the Government of India in implementing Atmanirbhar Bharat and finding solutions. 2023;8(4):1577-1579.
6. Gupta M, Kakkar N, Mahavidyalaya NK. Indian economy: the fastest expanding economy. 2021;9(8):449-454.
7. Abhimanyu, Yogesh. Emerging power: India's economic growth and socio-political challenges. Int J Res Publ Rev. 2025;6(4):16601-16606.
8. Kawale PR, Nanotkar PW. Indian economy from a global perspective. 2024:422-425. Available from: <https://doi.org/10.48175/IJARST-19775>
9. Khati VV, Mahavidyalaya G. Atma Nirbhar Bharat: opportunities and challenges. 2022;9(2):756-760.
10. Kumar D. Indian economy in 2014–2024 and the transformation of India. 2025;7(3):1-10.

11. Mukherji R. The state, economic growth, and development. 2009. Available from: <https://doi.org/10.1080/14736480802665238>
12. Nigam R. A study of India's GDP growth rate in relation to GDP growth rate of major economies of the world. 2024;12:72-77.
13. Rathore S. Atmanirbhar Bharat – an analytical study. 2023;10(5):416-425.
14. Sahu G. Motives behind Make in India campaign: challenges and opportunity for Aatmanirbhar Bharat. 2021;4(3):18-26.
15. Sapitri D. India's rise: becoming a new economic power in the era of globalization. 2025;6(5):1756-1764.
16. Shamsi AF, Panhwar IA, Iqbal B, Cheema K. India as an emerging economy. Transnatl Corp Rev. 2014;6(1):15-25. Available from: <https://doi.org/10.1080/19186444.2014.11658378>
17. Singh A. Defending India: a study of the role of AtmaNirbhar Bharat and Make-in-India policies in strengthening India's defence industry. 2023;11(7):220-235.
18. Singh P. Atma Nirbhar Bharat: opportunities and challenges. 2020.
19. Suman B, Rasleen K, Planner CF. India \$5 trillion economy: vision and challenges. 2024;7(3):696-704.
20. Taru GAPB. Global economic trends and India's position. GAP Bodhi Taru. 2024;250-254.