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# BEYOND GOVERNANCE

## Case Study

The Case Study section is inserted to make Chartered Secretary Journal (CSJ) more interactive for the members and students. The Case Study is followed by question(s) which are to be solved by member(s)/student/s. The answer(s) are to be sent to [cs.journal@icsi.edu](mailto:cs.journal@icsi.edu) latest by the 25<sup>th</sup> of each month.

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## National/International Reports: Analysis

A new Section on 'National/International Reports: Analysis' from the March 2025 covering reports on the recent policy initiatives and insights at National and International level is introduced. The purpose is to communicate information amongst professionals on various reports released by National/International organisations, having an impact on the profession.



## CASE STUDY

### IN THE SUPREME COURT OF INDIA

#### CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. ....of .....

BSN .....*Appellant*

vs.

WIL Ltd. .... *Respondent*

#### Brief Facts:

- 1) An arbitral award was passed against the appellant under the provisions of the Arbitration Act on 24.08.2016. As per Section 34(3) of the Arbitration Act, 90 days are prescribed for preferring an application under Section 34 of the Arbitration Act against the arbitral award. However, the said period was extendable by a further period of 30 days in terms of the proviso to Section 34(3) of the Act, 2016. In the present case, the period of 90 days prescribed under Section 34(3) of the Arbitration Act expired on 24.11.2016. The appellant was entitled to a further extended period of 30 days from 23.11.2016 onwards in terms of the proviso to Section 34(3) which was upto 24.12.2016.
- 2) The trial Courts were closed on account of winter / Christmas vacations from 19.12.2016 to 01.01.2017. However, it so happened that extendable / condonable period of 30 days as contemplated in the proviso to Section 34(3) expired on 24.12.2016 on which day the trial Court was closed on account of winter / Christmas vacation. The appellant herein filed the application under Section 34 of the Arbitration Act, challenging the award passed by the Arbitral Tribunal. The appellant also filed IA No.1 for condonation of delay.
- 3) The petitioner - appellant had filed the application under Section 34 on the very day when the Court reopened.
- 4) Both, Section 34 application as well as the application for condonation of delay were filed on the reopening day i.e. on 02.01.2017. As the application under Section 34 of the Arbitration Act was beyond the prescribed period provided under Section 34 of the Arbitration Act as well as beyond the condonable period of 30 days, the learned trial Court dismissed the IA No.1 and refused to condone the delay by observing that the period beyond 120 days is not condonable as under the Arbitration Act, maximum period provided for preferring an application under Section 34 is 120 days.
- 5) In the affidavit filed by the appellant before the High Court, filed in support of IA No.1, the appellant as such admitted that it received the copy of the award on 24.08.2016. However, according to the appellant, the said award was misplaced and thereafter obtained a fresh copy on 29.12.2016. The learned trial Court observed that in that view of the matter, the period of limitation would commence from 24.08.2016 and 120 days are to be counted from 24.08.2016.

- 6) Feeling aggrieved and dissatisfied with the order passed by the learned trial Court refusing to condone the delay in preferring application under Section 34 of the Arbitration Act, the appellant herein preferred an appeal before the High Court.
- 7) Before the High Court, Section 4 of the Limitation Act, 1963 and Section 10 of the General Clauses Act, 1897 were pressed into service. By the impugned judgment and order, the High Court has dismissed the said appeal by observing that the expression “prescribed period” appearing in Section 4 of the Limitation Act cannot be construed to mean anything other than the period of limitation and therefore, any period beyond the prescribed period, during which the Court or Tribunal has the discretion to allow a person to institute the proceeding, cannot be taken to be “prescribed period”.
- 8) Feeling aggrieved and dissatisfied with the impugned judgment and order passed by the High Court, the original applicant has preferred the present appeal.

#### ***Contentions on behalf of the appellant***

Section 34(3) of the Arbitration Act specifies that the limitation period for filing an application for setting aside the arbitral award under Section 34 is three months from the date on which the party making application has received the award. However, if the Court is satisfied that the applicant was prevented by sufficient cause from making the application within the said period of three months, the proviso to the Section specifies a further period of 30 days within which the application under Section 34 may be filed/entertained.

Although the same general principle of “elementary justice” is embodied in both Sections of the two Acts, there is a crucial distinction between the Limitation Act, 1963 and the General Clauses Act, 1897.

Section 2(j) of the Limitation Act defines “period of limitation”. It is submitted that thus, while the term “prescribed period” has a narrower meaning in the context of Limitation Act, there is no such restrictive definition clause in the General Clauses Act. It is submitted that in fact, the scheme of Section 10 of the General Clauses Act is clear from a bare perusal of the provision and indicates that there are two prescribed periods in this Section viz. (1) the prescribed period within which something is directed to be done, or (2) the prescribed period within which something is allowed to be done.

It is submitted that therefore, reading of Section 10 of the General Clauses Act, 1897 makes it clear that the period in which something is allowed to be done, such as 30 days condonable period provided by proviso to Section 34(3) of the Arbitration Act is also a prescribed period within the meaning of the General Clauses Act, 1897.

#### ***Contentions on behalf of the respondent***

The High Court has upheld the order of trial Court that the petition under Section 34 of the Arbitration Act was not maintainable for being beyond the “prescribed period” under Section 34(3) of the Arbitration Act.

Section 4 of the Limitation Act shall not be applicable to the 30 days’ discretionary condonable period contemplated under proviso to Section 34(3) of the Arbitration Act.

An application under Section 34(1) of the Arbitration Act challenging an arbitral award may not be made after a period of three months from the date on which the party making the application had received the arbitral award. The proviso to Section 34(3) gives limited powers to the Court, on sufficient cause being shown, to condone delay in filing the application under Section 34(1) only for a maximum period of 30 days, but not thereafter.

Section 4 of the Limitation Act is only applicable when the last date of the “prescribed period” falls on a day on which the Court is closed. It is submitted that the term, “prescribed period” is defined in Section 2(j) of the Limitation Act as being the period of limitation computed in accordance with the provisions of the Limitation Act.

#### ***On the basis of above arguments decide the following:***

- (1) *Whether the benefit of Section 4 of the Limitation Act, 1963 is available to a party when the “prescribed period” of 3 months for filing a petition under Section 34(3) of the Arbitration Act has already expired and the discretionary period of 30 days under the proviso to Section 34(3) falls on a day when the Court is closed?*
- (2) *When the last day of condonable period of 30 days falls on a holiday or during a court vacation, would the benefit of Section 10 of the General Clauses Act, 1897 be available to the appellant separately in such circumstances?*

***Disclaimer: The case study has been framed from the facts and figures available in the public domain with some modifications/assumptions so as to enable members to apply their professional skills to answer the same and hide the identity of the case. Author is not to be held liable for any resemblance of the facts and figures with any case.***

**Winner of Case Study – April 2025**

**CS Shalini Iyengar**  
**ACS-75431**

# BEST ANSWER - CASE STUDY - APRIL, 2025

## INTRODUCTION:

The case of A.M.N. LIMITED vs. SEBI revolves around the interpretation of voting restrictions on related parties during the rescission of a previously approved related party transaction (RPT). This analysis examines the legal framework under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR), contextualized through judicial precedents and regulatory objectives.

### 1. REGULATORY FRAMEWORK :

#### 1.1 Section 188 of the Companies Act, 2013

Section 188 prohibits related parties from voting on resolutions approving contracts or arrangements in which they are interested. The provision states:

*“No member of the company shall vote on such resolution to approve any contract or arrangement which may be entered into by the company, if such member is a related party.”*

The key phrase—“to approve any contract or arrangement”—limits the voting prohibition to resolutions that authorize new RPTs. It does not explicitly bar related parties from voting on resolutions to rescind or amend existing RPT.

The provision aims to prevent conflicts of interest by ensuring disinterested shareholders independently assess RPTs. Exceptions include transactions in the ordinary course of business or conducted at arm's length.

#### 1.2 Regulation 23 of SEBI LODR Regulations

Similarly, Regulation 23(4) of SEBI LODR Regulations provides that:

*“All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.”*

Thus, Regulation 23 mandates:

- Prior audit committee approval for RPTs.
- Shareholder approval for material RPTs (transactions exceeding 5% of annual turnover or 10% of net worth).
- Abstention by related parties during shareholder voting on RPT approvals.

## 2. FACTUAL BACKGROUND OF THE CASE, KEY EVENTS AND CONFLICTING INTERPRETATIONS

1. **2014 Resolution:** A.M.N. Limited sought shareholder approval for an RPT with NR Private Limited. Related parties abstained from voting, and the resolution passed.

2. **2016 EGM:** The company convened an Extraordinary General Meeting (EGM) to rescind the 2014 resolution. Related parties participated in the vote, leading SEBI to impose a penalty of ₹35 lakhs for violating Regulation 23
3. **SEBI's Position:** SEBI argued that Regulation 23's voting prohibition applies to **all resolutions involving RPTs**, including those rescinding prior approvals. The regulator contended that allowing related parties to vote on rescission could enable them to manipulate corporate decisions retroactively.
4. **SAT's Reasoning:** The SAT overturned SEBI's penalty, holding that:
  - a) Section 188's voting bar applies **only when approving RPTs**, not when rescinding them.
  - b) Rescission resolutions do not involve “entering into” a transaction, which is the explicit focus of Section 188.
  - c) SEBI's interpretation was “hyper-technical” and failed to demonstrate any **ill intent or harm to shareholders**.

## 3. JUDICIAL PRECEDENT: RT EXPORTS CASE:

In SEBI vs. RT Agro (2022), the Supreme Court upheld the Securities Appellate Tribunal's (SAT) ruling that:

**“The bar on voting under Section 188 applies only during the approval of an RPT, not its rescission.”**

### Key Observations from RT Agro Judgment

- **Literal Interpretation:** Section 188 and Regulation 23(7) explicitly prohibit voting only when a resolution approves an RPT. Rescission does not fall under “approval”.
- **Legislative Intent:** The law aims to prevent conflicts of interest during the inception of RPTs. Rescinding a transaction does not create new conflicts but rectifies existing ones.
- **Absence of Explicit Prohibition:** Neither the Companies Act nor SEBI LODR prohibits related parties from voting on resolutions to terminate RPTs.

## 4. ANALYSIS APPLICATION TO A.M.N. LIMITED CASE

### 4.1 Analysis of Rescission Resolution (16.12.2016)

- Initial Approval (15.07.2014): Related parties rightfully abstained, complying with Section 188 and Regulation 23.
- Rescission Resolution (16.12.2016): Since the resolution aimed to terminate the RPT, the voting bar did not apply. SAT correctly held that related parties were permitted to vote.

#### 4.2 SEBI's Misplaced Reliance on Regulation 23

SEBI's penalty of ₹35 lakhs assumed that Regulation 23's abstention rule applies to all RPT-related resolutions. However, the regulation's text and judicial precedents restrict its scope to approvals, not rescissions.

### 5. SUPREME COURT'S LIKELY DECISION

The Supreme Court will likely dismiss SEBI's appeal, affirming that:

- **Legal Text:** The phrase "entering into a contract or arrangement" in Section 188 does not encompass rescission.
- **Regulatory Intent:** The objective of preventing conflicts of interest is satisfied if related parties abstain during the **initial approval**.
- **Investor Protection:** No shareholder harm was alleged, and the rescission did not alter the transaction's material terms.
- The statutory language of Section 188 and Regulation 23 is limited to resolutions **approving RPTs**.
- Rescission votes do not compromise the integrity of shareholder oversight, as the original transaction was approved without related party influence.
- Penalizing companies without evidence of malafide intent undermines procedural fairness.

### 6. IMPLICATIONS FOR INVESTORS

#### A. POSITIVE IMPLICATIONS

- i) **Clarity in Governance/voting rights:**
  - The judgment reinforces that related parties cannot influence new RPTs but may participate in decisions to undo harmful transactions. This balances investor protection with operational flexibility.
  - The ruling would clarify that rescission votes fall outside the scope of RPT regulations, reducing ambiguity for companies.
  - Investors benefit from a clear distinction between approval and rescission of RPTs. This prevents ambiguity in corporate governance. Example: If a transaction is later deemed unfavorable, shareholders (including related parties) can vote to rescind it without legal hurdles.
- ii) **Preventing Overreach:** Curbing SEBI's "hyper-technical" penalties protects companies from excessive litigation where no harm is proven.
- iii) **Protection During Initial Approval:** The requirement for related parties to abstain during the initial approval ensures fairness and prevents conflicts of interest. Example: In the 2014 resolution, related parties' exclusion guaranteed unbiased shareholder approval.

#### B. POTENTIAL CONCERNS

- A. **Loophole Risks:** Related parties could theoretically approve unfavorable RPTs and later rescind them to avoid scrutiny. However, such behavior would violate fiduciary duties and attract liability under other provisions (e.g., Section 166 of the Companies Act). Example: If a related party later regrets a transaction, they might push for its reversal, undermining prior shareholder consensus. However, this is mitigated by the requirement for **disinterested shareholder approval** at the initial stage.
- B. **Investor Vigilance:** Investors must scrutinize EGMs to ensure rescission votes are not abused. While the verdict upholds procedural fairness, investors must monitor post-approval actions (e.g., rescission) to ensure they align with company interests. Example: Minority shareholders should scrutinize EGMs proposing rescission to prevent misuse by related parties.
- C. **Regulatory Gap:** Current laws do not address rescission explicitly, creating a potential gap in investor protection. Example: SEBI's penalty aimed to fill this gap, but courts ruled it beyond regulatory authority.
- D. **Judicial Precedent:** The Supreme Court's focus on substance over form (e.g., absence of fraud) reassures investors that genuine transactions won't be penalized on technical ground.

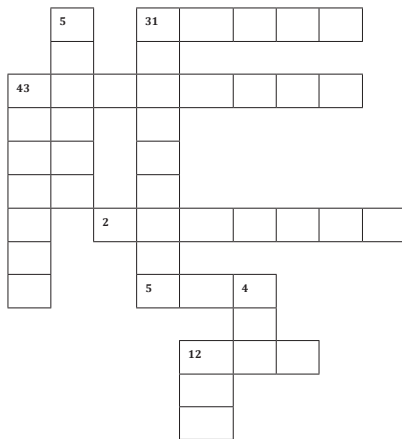
Recommendation for Investors:

- Scrutinize RPT approvals for compliance with audit committee and shareholder voting rules.
- Use tools like class-action suits (Section 245, Companies Act) to challenge RPTs that harm minority interests.

### CONCLUSION

The Supreme Court's decision aligns with the statutory intent of Section 188 and Regulation 23, which aim to prevent conflicts of interest during transaction approval. While this safeguards initial fairness, investors must remain vigilant about post-approval actions like rescission. This approach balances regulatory oversight with corporate autonomy, ensuring that penalties are reserved for cases of demonstrable misconduct. For investors, the ruling underscores the importance of vigilance in monitoring RPT approvals while affirming that procedural technicalities should not override substantive fairness. The ruling also underscores the need for precise regulatory language to address gaps while balancing corporate governance and investor protection. This case underscores the importance of literal interpretation in corporate law and the need for SEBI to align enforcement with legislative intent. His analysis integrates principles from judicial precedents, SEBI regulations, and corporate governance frameworks.

# CROSSWORD PUZZLE – COMPANY LAW - MAY 2025



## ACROSS

- Under the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, the book value of all assets sold during corporate insolvency resolution process period in aggregate under Regulation 29(1) shall not exceed \_\_\_\_\_ percent of the total claims admitted by the interim resolution professional.
- Under the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017, the details of order of Dissolution shall be filed in \_\_\_\_\_. On or before the 14<sup>th</sup> day of passing of the order for dissolution of the corporate person, or withdrawal / suspension of the voluntary liquidation process.
- Under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, In case of any change or appointment of a new share transfer agent, the listed entity shall intimate such appointment, to the stock exchange(s) within \_\_\_\_\_ days of entering into the a tripartite agreement between the existing share transfer agent, the new share transfer agent and the listed entity.
- Under Companies Act, 2013, a person who or whose relative or partner is indebted to the company or its subsidiary or its holding or associate company or a subsidiary of such holding company, in excess of rupees \_\_\_\_\_ shall not be eligible for appointment as an auditor of a company.
- Under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, The issuer shall, within \_\_\_\_\_ days of filing the draft offer document with the Board, make a public announcement in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated, disclosing the fact of filing of the draft offer document with the Board and inviting the public to provide their comments to the Board, the issuer or the lead manager(s) in respect of the disclosures made in the draft offer documents.

## DOWNWARDS

- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, where the amount payable as dividend exceeds one thousand and five hundred rupees, the 'payable at par' warrants or cheques shall be sent by \_\_\_\_\_.
- Under the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016), The interim resolution professional shall apply to the Adjudicating Authority for appointment of the authorised representatives selected under sub-regulation 16A(1) within \_\_\_\_\_ days of the verification of claims received under sub-regulation (1) of regulation 12.
- Under Companies Act, 2013, In the event of inadequacy or absence of profits in any year, a company may declare dividend out of free reserves subject to the fulfillment of the one of the condition that the balance of reserves after such withdrawal shall not fall below \_\_\_\_\_ per cent of its paid up share capital as appearing in the latest audited financial statement.
- Under the Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations, 2016, an insolvency professional shall pay to the Board, a fee calculated at the rate of \_\_\_\_\_ per cent of the professional fee earned for the services rendered by it as an insolvency professional in the preceding financial year, on or before the 30<sup>th</sup> of April every year, along with a statement in Form E of the Second Schedule.
- Under the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017, The liquidator shall distribute the proceeds from realization within \_\_\_\_\_ days from the receipt of the amount to the stakeholders.

## Winners - Crossword April 2025

**1<sup>ST</sup>** CS Archie Hitesh Shah ACS-61555

**2<sup>ND</sup>** CS Chandra Sekhara Reddy  
Gudibandi ACS-54797

**3<sup>RD</sup>** CS Mariappanadar Govindarajan  
FCS-8533

## Crossword Puzzle – April 2025 Answers

### ACROSS

- ONE
- FORM MBP 2
- ONE HUNDRED AND TWENTY
- ONE LAKH
- ONE HUNDRED

### DOWNWARDS

- ONE CRORE
- THREE LAKHS
- SIXTY-SIX
- EQUAL
- SEVEN

# NATIONAL/INTERNATIONAL REPORTS: ANALYSIS

**TITLE: INDIA COUNTRY ECONOMIC MEMORANDUM: BECOMING A HIGH-INCOME ECONOMY IN A GENERATION**

**Organisation: The World Bank**

**Month/Year of Release: March 2025**

**Source:** <https://thedocs.worldbank.org/en/doc/400139d320ead96a0ec624d3608d9b56-0310012025/india-country-economic-memorandum-becoming-a-high-income-economy-in-a-generation>. (Please refer the link for complete report)

## INTRODUCTION

From the year 2000 till today, in real terms, the Indian economy has grown nearly four-fold, and **Gross Domestic Product (GDP) per capita** has almost tripled. Because India grew faster than the rest of the world, its share in the global economy has doubled from 1.6 percent in the year 2000 to 3.4 percent in the year 2023 and India has become the world's fifth largest economy. This remarkable development story also includes a steep decline in extreme poverty, and massive expansion of service delivery and essential infrastructure. Building on these achievements, India has set the ambitious goal of becoming a high income country by 2047.

In recent years, the Government has introduced a host of structural reforms to transform India into a global manufacturing hub, to boost infrastructure, improve human capital, and leverage digitization, while at the same time bolstering macroeconomic stability. India became a **Low Middle-Income Country<sup>1</sup> (LMIC)** in 2007-08 and is currently on track to become an Upper Middle-Income Country (UMIC) by 2032. Over the two decades prior to the pandemic, India grew at an annual average rate of 6.7 percent, faster than all other large economies,<sup>2</sup> except China. However, for India to become a **High-Income Country (HIC)** by 2047<sup>3</sup>, its **Gross National Income (GNI) per capita<sup>4</sup>** would have to increase by nearly 8 times over the current levels; growth would have to accelerate further and remain high over the next two decades, a feat that few countries have achieved. To meet this target, given the less conducive external environment, India would need to not only maintain ongoing initiatives but in fact expand and intensify reforms. This report outlines what it would take to realize the vision of High-Income India.

<sup>1</sup> The World Bank defines UMIC as nominal Gross National Income (GNI) per capita between USD 4,516 and USD 14,005 (2023) as per the Atlas method.

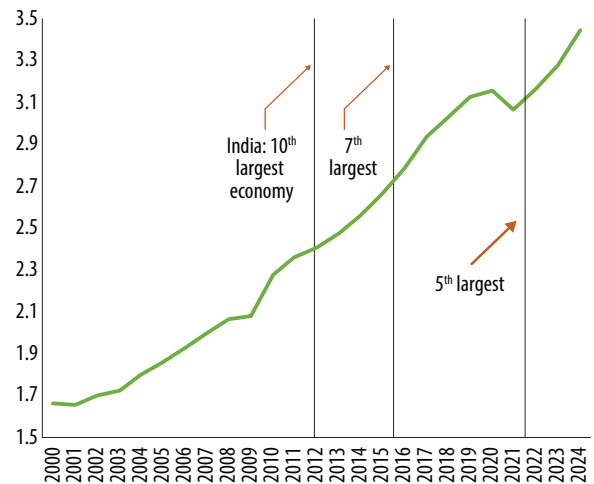
<sup>2</sup> China, Vietnam, Philippines, and Bangladesh were selected as India's peers due to their similar level of development in 2000, large population (over 50 million), and sustained high rate of growth (average growth rate of at least 6 percent in the last 20 years). The report draws comparison to Asian high-growth economies identified by the Growth Commission and the group of MICs transitioning to higher income status (based on the World Bank classification). Asian peers include China (1961-2005), Indonesia (1966-1997), Republic of Korea (1960-2001), Singapore (1967-2002), and Thailand (1960-97). Throughout the Report, based on the context and data availability, India is compared to other emerging market economies like Argentina, Brazil, Indonesia, Malaysia, Mexico, and Poland.

<sup>3</sup> By World Bank standards this implies reaching gross national income per capita (Atlas GNI per capita) of around US\$20,000 by 2047. The projections for 2024-47 are based on the LTGM tool. The cut off for income classification is assumed to grow at an annual rate of 1.5 percent from 2022 (the average growth observed over the past two decades).

<sup>4</sup> India's Atlas GNI per capita was US\$2,540 in 2023.

## a) India's Growth Trajectory

**Figure 1.1: India's share in world GDP (percent)**



*Source: WDI, 2024, and Ministry of Statistics and Programme Implementation (MOSPI). World Bank (WB) staff calculations. Figure 1.1 shows the size of the economy in nominal terms.*

Over FY2000-19, India grew at an annual average growth rate of 6.7 percent and transitioned from low-to lower middle-income country (LMIC) status in 2008. The share of the Indian economy in the global total doubled between 2000 and 2023 (Figure 1.1).

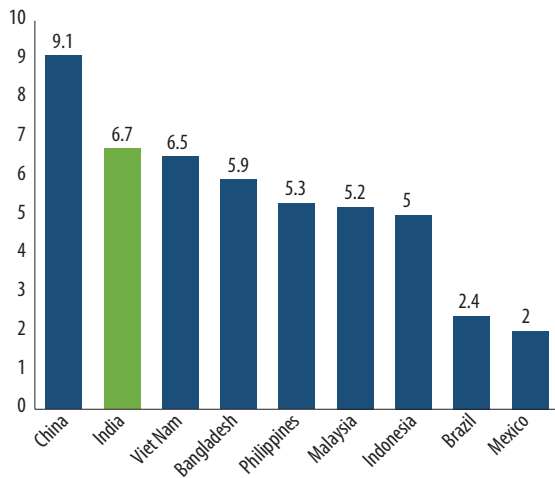
India's growth has been driven by the services sector, particularly skill-intensive services, despite being relatively abundant in low-skilled labour. Over the period from 2000-19, on an average, services contributed to over half of total growth (around 3.8 percentage points), while agriculture's contribution was modest, and that of industry declined from an annual average of 2.3 percentage points during 2000-10 to 1.9 percentage points over 2011-19.

**Table 1: Real GDP Growth in India vis-à-vis other emerging economies (Average 2000-2019)**

Countries	Real GDP %	Countries	Real GDP %	Countries	Real GDP %
China	9.1	Indonesia	5	Bangladesh	5.9
India	6.7	Brazil	2.4	Philippines	5.3
Vietnam	6.5	Mexico	2	Malaysia	5.2

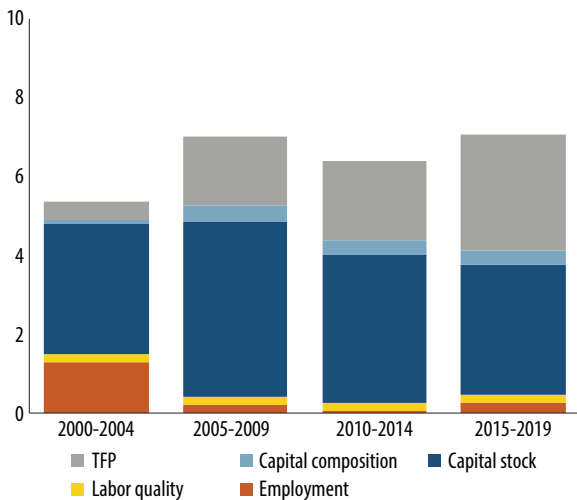
**Figure 1.2: Real GDP Growth in India vis-a vis other emerging economies (Average 2000-19, percent)**

India has been among the fastest-growing major emerging economies in recent years but below China (9.1 percent) (Figure 1.2)



Source: WDI, WB staff calculations. For India, the year 2000 refers to the fiscal year 1999-2000.

**Figure 1.3: Contribution to India's Growth (percentage points)**

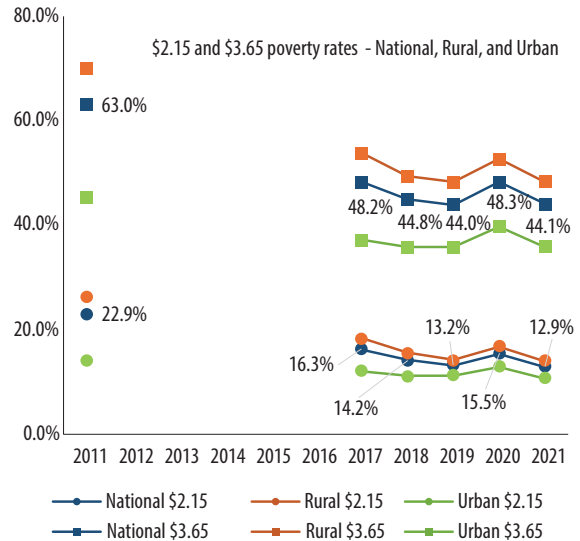


Source: India KLEMS and WB staff calculations.  
 Note: Figure 1.6 uses the national accounts series with 2011-12 base.

In the wake of a balance-of-payments crisis in 1991, India adopted wide-ranging reforms of industrial and trade policies. The contribution of total factor productivity (TFP) increased substantially from 2005 onwards, reaching almost 3 percentage points over 2015-19 (Figure 1.3). The regulatory changes of the early 2000s, coupled with substantial investments in infrastructure, helped raise the investment rate from 27.5 percent of GDP in 2000 to 35.8 percent in 2008<sup>5</sup>. (Figure 1.3) uses the national accounts series with a 2011-12 base.

<sup>5</sup> Private investment increased significantly from the early 1990s up to the GFC but has weakened in the following period up until the pandemic.

**Figure 1.4: Monetary Poverty Rates in India**



Source: WB Staff calculations using the survey-to-survey multiple imputation methodology of Roy and Van der Weide (2022), please refer to footnote 6.

**The Monetary Poverty rate in India declined significantly over the past decade.** In the absence of official data until very recently, estimates of poverty rates in India (as per international poverty lines) were based on data from non-official surveys. Estimates based on Consumer Pyramids Household Survey (CPHS) data, adjusted to improve the national and state level representativeness and ensure comparability with the National Sample Survey (NSS)<sup>6</sup>, suggested the extreme poverty rate (PPP \$2.15) declined from 22.9 percent in 2011 to 12.9 percent in 2021, driven by a decline in rural areas (Figure 1.4)<sup>7</sup>. The corresponding fall in the lower-middle-income-country poverty line (PPP \$3.65) is 19 percentage points. The COVID-19 pandemic is estimated to have increased Low Middle-Income Country (LMIC) poverty by 4 percentage points in 2020 to 48 percent, although in 2021, Low Middle-Income Country (LMIC) poverty declined to 44 percent, the same as the pre-pandemic level. With the release of new official surveys for 2022-23 and 2023-24, poverty estimates will shift from a uniform recall period to the mixed modified recall period, leading to a revision of the series.

**b) Major Reforms in India**

- The National Manufacturing Policy (NMP) 2011 aims to improve the contribution of the manufacturing sector to the GDP and make India self-reliant. Various initiatives such as 'Make in India', including 'Invest India' and 'Startup-India' Production linked incentive scheme, boost in the Union Budget from last 7 years, the PM GatiShakti and National Logistics Policy (NLP) are undertaken to better plan and promote the manufacturing sector and infrastructure projects

<sup>6</sup> Poverty rates are estimated using survey-to-survey multiple imputation methodology as per Roy and Van der Weide (2022) Approach 1 applied on uniform recall period series from consumer expenditure survey (2011-12) and 2017-21 data from Consumer Pyramids Household Surveys (CPHS), Periodic Labour Force Surveys (PLFS), and National Family Health Survey (NFHS-5). The break in the series indicates that the two time periods are not perfectly comparable.

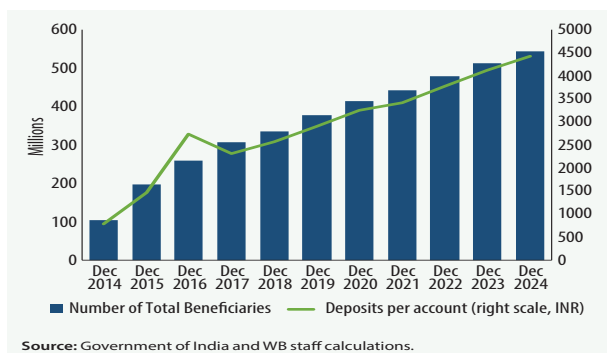
<sup>7</sup> The World Bank defines the extreme poverty line at \$2.15 a day, the lower-middle-income country (LMIC) or moderate poverty line at \$3.65 a day, and the upper-middle-income country (HMIC) poverty line at \$6.85 a day in 2017 PPP.

for expansion of industrial and basic infrastructure facilities. The Asset Monetisation Plan was launched in 2021. These interventions have led to an improvement in the country's logistics performance. India's ranking in the World Bank Logistics Performance Index (LPI) improved to 38<sup>th</sup> in 2023 from 44<sup>th</sup> in 2018, but it remains lower than the rank of 35 achieved in 2016.

- To encourage digitisation, GOI introduced Jan-Dhan-Aadhar-Mobile (JAM) trinity, India has prepared the basis for widespread adoption of a variety of digital technologies to facilitate financial inclusion and public service delivery. Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA), is a scheme to enhance the digital literacy of citizens with a focus on rural areas. The annual number of digital transactions per capita has increased from 2.4 in 2014 to 22.4 in 2019. Indiastack, the national portfolio of digital public services that includes the Unified Payments Interface (UPI), Digilocker, Aadhar, and the Government e-marketplace, is attracting global attention for the variety of public service solutions provided through a single platform.
- The monetary policy framework was reformed to focus on price stability. The RBI adopted flexible inflation targeting with the CPI (combined) as the nominal anchor. The target for inflation was set at 4 percent with a band of (+/-) 2 percent. With the adoption of inflation targeting, the Monetary Policy Committee (MPC) was set-up to pursue the inflation target.
- The Insolvency and Bankruptcy Code (IBC) Act was introduced in 2016 to strengthen the management of financial stress.
- The Government also undertook various steps to improve risk management systems in banks to stem the flow of new NPAs. Several measures have been undertaken to strengthen financial sector regulation and supervision as given in chapter 3 of the report.
- Establishment of the National Asset Reconstruction Company Limited (NARCL) in 2022 to address the stock of non-performing assets (NPAs).
- To streamline the regulatory provisions of the securities and commodity derivatives markets, the Forwards Markets Commission (FMC) was merged with the Securities and Exchange Board of India (SEBI) in September 2015.
- The Micro Units Development Refinance Agency (MUDRA) was set up in 2015 to provide concessional finance to microfinance institutions.

- The Pradhan Mantri Jan Dhan Yojana (PMJDY) led to the opening of zero-balance bank accounts for unbanked households. Over the past few years, the number of beneficiaries has increased to over 50 crores (more than 500 million) with the average deposit per account increasing by five-fold during 2014-24 (Figure 1.5).
- The Government has introduced major steps to usher in budget transparency. A major reform was carried out with the merger of the Railway Budget with the Union Budget in 2017 to provide more financial space to the exchequer. This move eased the Railways' burden of the mandatory provision of dividends to the central Government. Important tax reforms to broaden the tax base and reduce the tax rates were introduced. Since 2018, the relief in income tax rate for individuals has been provided. The Union Budget FY25/26 announced further tax relief, making income up to INR 12 lakhs tax-free. The Goods and Services Tax (GST), introduced in 2017, replaced various taxes, including excise duty, service tax, VAT, etc. The Union Budget FY2025-26 budget introduced GST reforms to streamline tax slabs, clarify Input Tax Credit (ITC) rules, and strengthen compliance. Key changes include restricted ITC claims, improved tax governance, and stricter track-and-trace mechanisms to enhance transparency and minimize litigation.
- The Skill India Mission, 2015 with schemes like the Jan Shikshan Sansthan (JSS) Scheme, the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), the National Apprenticeship Promotion Scheme (NAPS), and the Craftsman Training Scheme (CTS), India International Skill Centres (IISCs), implementation of the Advanced Vocational Training Scheme (AVTS), the Skill Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP) and the Pradhan Mantri YUVA Yojana offer training to the youth.
- The Ministry of Rural Development is implementing the Rural-Self Employment Training Institutes (RSETIs) scheme for poor youth aged between 18-45 years, under which financial support is extended for the training of unemployed youth with the potential to take up self employment.
- Labour reforms are being implemented to enhance the flexibility of the labour markets, where 29 central labour laws were combined and rationalized into four codes.
- The Government aligned its vision with the goals of the National Health Policy (NHP), 2017, and set up the Ayushman Bharat-Health and Wellness Centres (AB-HWCs) for providing Comprehensive Primary Health Care (CPHC) through tie-ups with referral hospitals. The other component, the Pradhan Mantri Jan Arogya Yojana (PMJAY) has been instrumental in providing financial protection—Measures such as the Swachh Bharat Mission (SBM), the Free Drugs and Diagnostics Service Initiative (FDDSI), the Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP), along with the other components of the Ayushman Bharat – Digital Mission (ABDM) and Pradhan Mantri Ayushman Bharat - Health Infrastructure Mission (PM-ABHIM) are strengthening India's health system.

**Figure 1.5: Progress under the PMJDY**

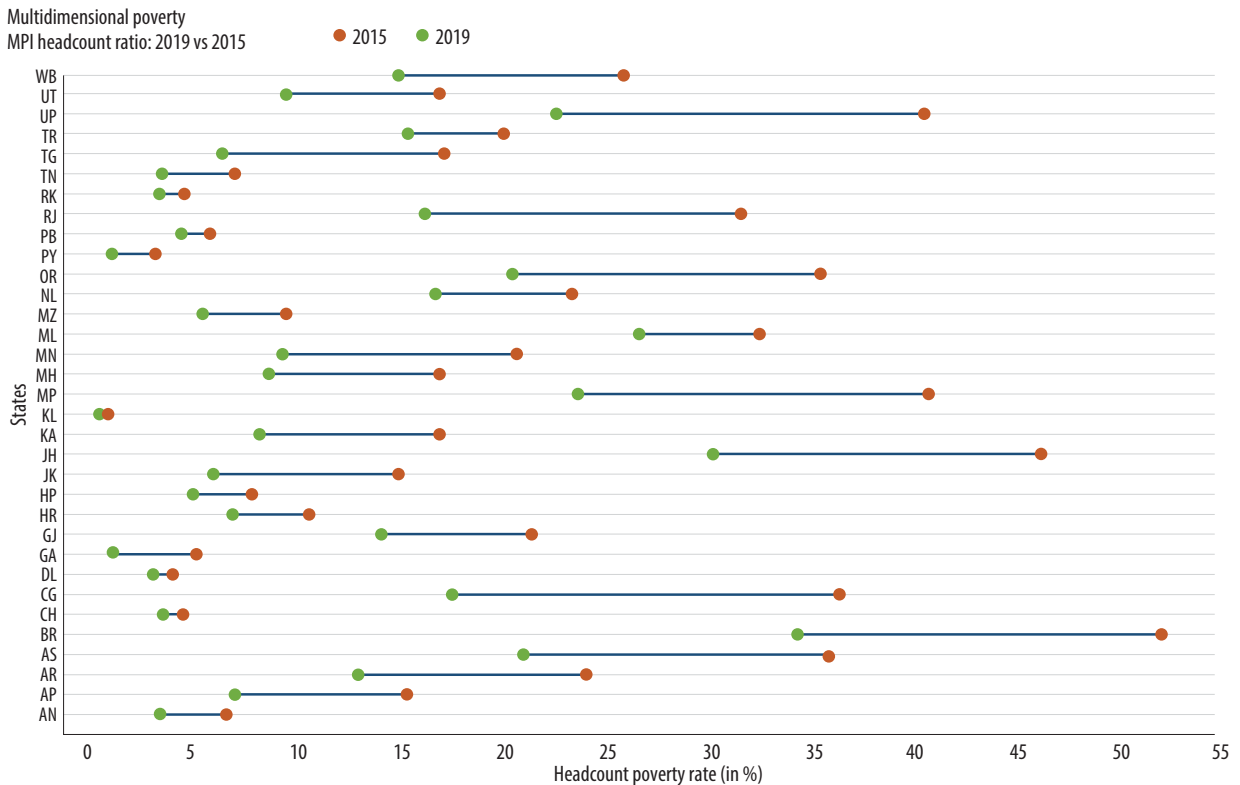


- India’s National Education Policy (NEP), 2020, offers a framework to transform not only higher education but also elementary education by 2040. Samagra Shiksha, launched in 2018, a complementary programme for pre-school to class XII to foster an inclusive and equitable quality education, has been extended to 2026. In October 2022, the Ministry of Education launched the National Curriculum Framework for Foundational Stage (NCF-FS) to provide education for children between three and eight years.
- India’s Foreign Trade Policy, 2023, aims to increase India’s exports to USD 2 trillion by 2030. The Service Exports from India Scheme (SEIS, 2015), the Advance Authorisation Scheme (2015), Trade Infrastructure for Export scheme (TIES, 2018), Rebate of State and Central Taxes and Levies (RoSCTL, 2019), Rebate of Duties & Taxes on Export Products (RoDTEP scheme, 2021), and the Market Access Initiative (MAI scheme, 2021) are introduced to boost exports. In 2019, the Department of Commerce launched the “Districts as Export Hubs” (DEH) initiative to create institutional mechanisms for facilitating the exports of identified products/ services from the districts. At the sub-national level, the Government initiated the “One District One Product” (ODOP) across different states/Union Territories. The ODOP initiative is now operationally merged with the ‘Districts as Export Hub’ initiative to boost exports from the districts.
- Multidimensional or non-monetary poverty declined by 27 percentage points from 2006 to 2016. Over that period, the incidence of multi-dimensional poverty fell by 7.1 percent on average each year, while per capita national income grew by 5.2 percent. Thus, the growth elasticity of the incidence of multi-dimensional poverty was 1.4. In this sense, growth in India has been “multidimensionally inclusive”. Recent data suggests higher elasticities, as multidimensional poverty further decreased during a period of declining GDP per capita growth. During 2016-21, multidimensional poverty decreased by 11 percentage points, thus lifting approximately 140 million people out of non-monetary poverty. During the same period, while annualized growth in GDP per capita was only 3.3 percent, the incidence of multidimensional poverty declined by 11 percent on average each year. This improvement was in part due to a reduction in the dependency ratio (the ratio of non-working to working family members), as well as improvements in educational attainment and outcomes related to service delivery. The greatest reductions in multidimensional poverty occurred in the poorest states (Figure 1.6).

SCOPE

Benchmarking with the International best practices, this report captures the GDP growth scenario of the Indian economy over the years, and the initiatives to be taken by the GOI, in its pursuit to become a High-Income economy in a generation. Various parameters such as reform proposals, poverty reduction, jobs, investments, productivity, trade, and global value chains are studied in detail in this report.

Figure 1.6: Non-monetary poverty headcount rates by state



Source: WB staff calculations using the National Family Health Surveys (NFHS) and UNDP-OPHI definition.

**OBJECTIVE**

To study the factors that contribute to sustainable growth for India towards becoming a High-Income economy by 2047.

**ANALYSIS & INTERPRETATION**

**India aspires to become a high-income country by 2047, and it shares many characteristics with countries that have successfully made that transition.** The Growth Report by the Commission on Growth and Development (2008) concluded that successful economies: (i) fully exploited the opportunities in the world economy; (ii) maintained macroeconomic stability; (iii) maintained high savings and investment rates; (iv) relied on the market to allocate resources efficiently; and (v) benefited from a credible, committed, and proactive Government. The Indian experience— especially through the reforms starting in the 1990s, their continuation in the early 2000s, and renewed dynamism in recent years— conforms to many of these characteristics, which contributed to its fast growth over the last two decades and facilitated its transition from Low-income to Low-Middle-Income Country status. **However, to make further progress toward high-income status by 2047 requires India to sustain high growth over the coming decades.** Among the 13 economies, studied in the Growth Commission Report, that sustained high growth over more than 30 years, only six managed to sustain high growth all the way into high-income levels (Hong Kong SAR, China; Japan; Korea; Malta; Singapore; and Taiwan, province of China), while several lost momentums and remained “trapped” in the upper middle-income country (UMIC) category. UMICs that successfully transitioned to high-income countries (HICs) (so-called “successful UMICs”) spent an average of 15 years at middle-income levels, growing by an average of around 4.5 percent annually. Countries such as Chile, Czechia, Poland, and Romania belong to this group. By contrast, Brazil, Malaysia, Mexico, South Africa, and Türkiye have spent more than 20 years in the UMIC group (“trapped-UMICs”). This experience is helping India to make the leap from LMIC to HIC status by 2047.

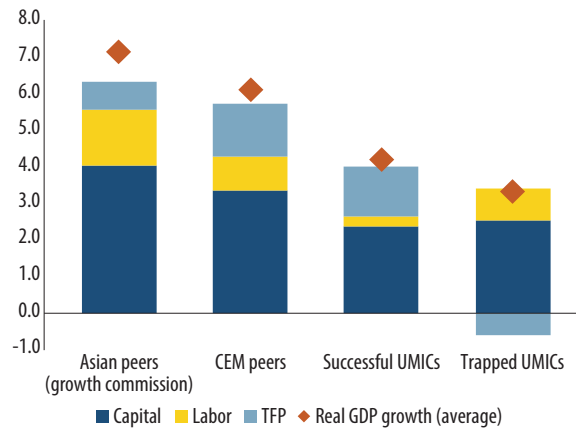
**Table 2: Countries that transitioned to UMIC and achieved HIC status**

Countries	No. of years in UMIC	Year of Transition to UMIC	Year of transition to HIC	Average per capita real GDP growth rate, percent	Average real GDP growth rate, percent
Chile	19	1993	2012	3.8	5.0
Romania	14	2005	2019	4.4	3.6
Poland	13	1996	2009	4.5	4.4
Czechia	12	1994	2006	3.5	3.4
Slovak Republic	11	1996	2007	5.2	5.2
<b>Countries that transitioned to UMIC in past three decades but trapped for more than 20 years</b>					
South Africa	33	1988	-	0.6	2.3
Brazil	32	1989	-	0.9	2.2
Mexico	31	1990	-	1.1	2.6
Malaysia	29	1992	-	3.5	5.5
Türkiye	24	1997	-	3.1	4.6

SOURCE: WBG, PWT 10.01, WDI

Note: 1 Average growth for trapped countries is calculated till 2019 to avoid pandemic impact. For transitioned countries, average is over the specific time period it stayed UMIC. 2. The reference start period for income classification is 1987 and end period is 2021. 3. The transition status is determined by the country achieving any upper rank income category for the first time in the sample period (1987-2019). For instance, if HIC is attained in 2010 but later revoked in 2015 and attained back in 2016, it is considered that the HIC status was achieved in 2010.

**Figure 1.7: Contribution to Growth: TFP, capital, labour in peers, high-growth countries, and other selected MICs (percentage points)**



Source: WB staff calculations. PWT 10.01.

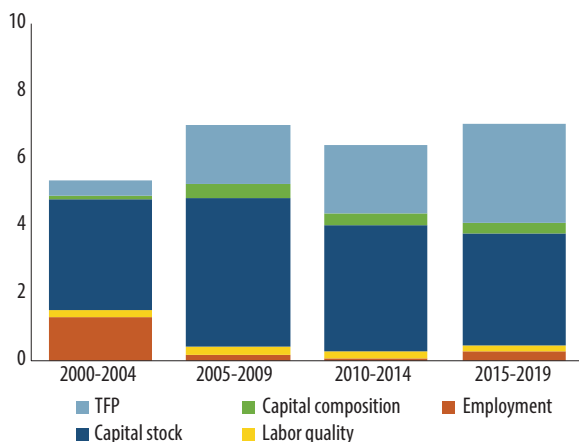
Note: Asian peers include China (1961-2005), Indonesia (1966-1997), Republic of Korea (1960-2001), Singapore (1967-2002), Thailand (1960-1997). The CEM peers include Bangladesh, Philippines, Viet Nam with growth over 2010-19. Successful UMICs include Chile (1993-2012), Czechia (1994-2006), Poland (1996-2009), Romania (2005-19), Slovak Republic (1996-2007). Trapped UMICs include Brazil (1989-2021), Malaysia (1992-2021), Mexico (1990-2021), Türkiye (1997-2021), and South Africa (1988-2021).

While the accumulation of factors of production (capital and labour) is important for both low- and middle-income economies, the transition to HIC also requires major contributions from total factor productivity (TFP). Factor

accumulation, predominantly capital but also labour, accounted for the bulk of growth in the fast-growing Asian economies (Figure 1.7).

**Trapped UMICs show the opposite trend— broadly, a negative contribution of productivity to growth.**

**Figure 1.8: Contribution to India’s Growth (percentage points)**



Source: India KLEMS.

Two transitions are critical for middle-income countries aiming to achieve high-income status. The first transition is from investment-driven growth to the infusion of global technologies. This involves importing advanced technologies, knowledge, and business practices from more developed economies and diffusing these throughout the domestic economy. The second transition is from infusion to innovation, where countries build on imported technologies to create new products, processes, and services (World Development Report [WDR], 2024, World Bank).

**India’s sustained and rapid growth over the last two decades was driven by high TFP growth and capital deepening (Figure 1.8).** Capital accumulation and TFP contributed the most to overall growth during 2000-19. Moreover, labour productivity growth in India has also been high compared to peers, except China, driven by within-sector productivity, specifically in services.

Several other characteristics of successful and trapped UMICs provide lessons for India. India compares favourably in terms of growth volatility, having experienced a lower volatility compared to both successful and trapped UMICs—the level of public debt remains comparatively higher (Table 3). However, the share of external debt in GDP is much lower, and India’s large foreign exchange reserves provide a comfortable cover for imports. Both the successful and trapped UMICs seemed to have benefited more significantly than India from labour participation and inter-sectoral allocation. In contrast to its peers and these UMICs, India has not leveraged a favourable demographic transition: labour force participation is low and structural transformation limited. While labor productivity has

improved significantly in agriculture relatively few workers have exited from the sector. The successful UMICs differ from the trapped UMICs with respect to their innovation ecosystem and trade openness. Trade and GVC integration have been key drivers of the transition to high income, supported by new sources of comparative advantage in scale economies and agglomeration.

**Table 3: India and Successful UMICs and Trapped UMIC**

	India	Successful UMICs which transitioned to HIC status <sup>(a)</sup>	Trapped UMICs <sup>(b)</sup>
<b>Macroeconomic Stability<sup>1</sup></b>			
Real GDP growth volatility (standard deviation of real GDP growth)	1.5	2.4	2.8
Gross Government debt, as percent of GDP	68.9	36.5	48.9
External debt (percent of GDP)	20.1	45.1	40.8
Foreign exchange cover of imports (months)	8.0	5.9	7.6
<b>Human Capital <sup>1</sup></b>			
Labour force participation rate (%)	51.5	56.6	60.6
Labour force participation rate, Tertiary educated (%)	62.3	82.0	79.8
Labour force participation rate, Basic education (%)	20.8	73.1	68.4
<b>Structural Transformation</b>			
Agriculture and allied activity % of GVA	16.8	3.0	4.4
<b>Innovation</b>			
R&D expenditure (% of GDP)	0.39	0.50	0.73
Trade openness (exports and imports of goods and services % of GDP)	46.3	76.5	54.6
Patent applications per million people	13.0	59.0	31.3

Source: Haver Analytics, WDI database and WB staff calculations

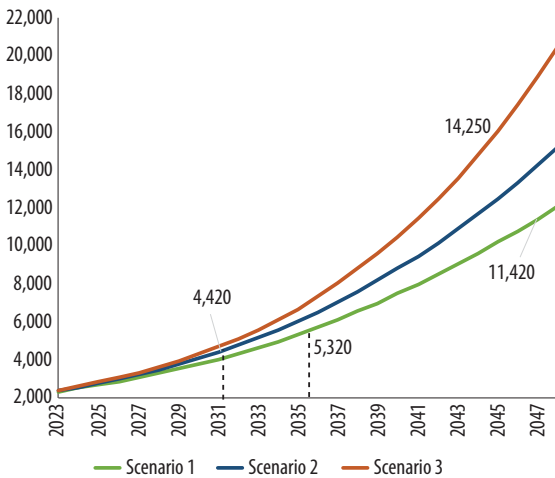
Note: Basic education comprises primary education and/or lower secondary education. <sup>1</sup>The Growth Report: Strategies for sustained growth and inclusive development, 2008. (a) Median for following countries depending on their period

of transition from UMIC to HIC have been calculated (i) Chile (median, 1993-2012) (ii) Czechia (median, 1994-2006) (iii) Poland (median, 1996-2009) (iv) Romania (median, 2005-2019), (v) Slovakia (median, 1996-2007), (b) includes 5 UMICs, which remained in the category for 15 years: Brazil, Malaysia, Mexico, South Africa and Turkiye.

**MAJOR FINDINGS**

This section enumerates some of the major findings of the report.

**Figure 1.9: Upper middle-income status achievable by early next decade (GNI per capita, Atlas Method USD)**



Source: WB staff calculations.

Note: The vertical dashed lines indicate the year in which country achieves upper-middle income status under different scenarios. The projections for 2024-47 are based on the LTGM tool. The cut off for income classification is assumed to grow at an annual rate of 1.5 percent (the average growth observed over the past two decades). The numbers in Figure 1.17 represent the implied GNI per capital in USD, as per the World Bank's Atlas method, that pertain to UMIC and HIC status under the baseline and scenario 1. The World Bank determines the size of economies and income classifications using GNI per capita. To make cross-national comparisons, estimates from local currency are converted to current U.S. dollars using the Atlas method, which stabilizes exchange rates with a three-year moving average and price adjustments.

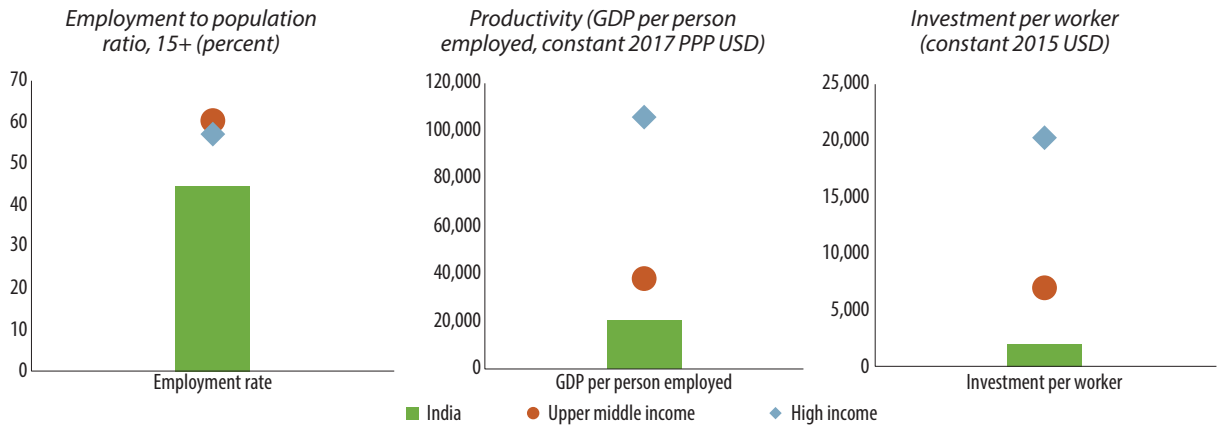
1. To allow India to reach UMIC status by the early 2030s and HIC status by 2047, growth needs to accelerate to 7.8 percent on average over the next two decades (Figure 1.9).
2. This will require closing the investment, productivity, and employment gaps vis-a-vis middle- and high-income countries (Figure 1.10). Simple calculations provide a measure of the gap India needs to close relative to UMICs and HICs. In 2021, India's GDP per person employed (in constant 2017 PPP dollars) and gross-capital formation per worker (in constant 2015 USD) were one-fourth and one-tenth of the averages of UMICs and HICs, respectively. The employment to population ratio in this group of countries is 1.3 times higher than that of India.
3. To get to high income by 2047, India needs to "jump" from the current baseline scenario (scenario 2) to the more ambitious scenario (scenario 3). The scenarios are as follows:

- Scenario 1 is a slower reform scenario. It would materialize if India's reform momentum slowed significantly over the next decades. In this scenario, the investment-to-GDP ratio, in constant prices, remains around 35 percent of GDP up to 2035 and declines thereafter, and the share of ICT capital in total investment broadly stays at current levels, with ICT investment contributing to 10 percent of the annual change in investment. The female labour force participation rate (FLFPR) does not improve. TFP growth peaks at 2.5 percent by the beginning of the next decade prior to moderating thereafter.
- Scenario 2 is a baseline assumption whereby the reform momentum remains strong. The investment to GDP ratio—in constant prices—rises gradually to 37 percent by 2035, but declines thereafter, driven by an equal contribution (50 percent) of both physical and ICT capital. The FLFPR increases to 45 percent by 2045. TFP growth is assumed to peak at 2.7 percent by the beginning of the next decade prior to moderating thereafter.
- Scenario 3 is an accelerated reforms scenario. The investment to GDP ratio increases to 40 percent by 2035, led by an equal contribution of both physical and ICT capital, and moderates thereafter. The FLFPR increases to 55 percent by 2050. Consequently, the TFP is assumed to be 40-50 basis points higher than in scenario 2.

The scenarios involve a decline in the incremental capital-output ratio (ICOR) over the decade, signaling efficiency gains, and an increasing share of industry in GDP. The ICOR declines in all scenarios up to the next decade, as ongoing initiatives to strengthen physical and digital infrastructure will lead to increased efficiency of capital. The decline in ICOR is greater in scenario 3 of "accelerated reforms". The sectoral composition of the economy is expected to change as well, with the share of agriculture declining by around 8 percentage points by 2047 in scenario 3, with the share gained by industry, and the share of services remaining constant.

Under scenario 3, India can achieve UMIC status by the early 2030s and HIC status by 2047. Under scenario 2, growth averages 6.6 percent per year during 2024-47, and achieving HIC status by 2047 remains elusive. In scenario 3, annual average growth is 7.8 percent over 2024-47. Thus, by raising the FLFPR to above 50 percent by 2047, augmenting the TFP growth rate compared to scenario 2, and maintaining an investment to GDP ratio of nearly 38 percent on average over the coming decade, average growth could be raised by more than 1 percentage point to achieve HIC status by 2047. The report analyses these issues in greater detail and provides policy options to achieve them.

**Figure 1.10: India’s Economic Performance vis-à-vis UMICs and HICs**



Source: WDI, WB staff calculations.

Note: A weighted average of the employment rate and GDP per worker for both UMICs and HICs are presented. However, to calculate the investment per worker, the total gross capital formation for each income group is divided by the corresponding total number of workers. The total number of workers is estimated using the employment rate and population statistics obtained from the WDI.

**RECOMMENDATIONS**

Some of the recommendations given in this report are as given below:

**Table 4: A comprehensive competition policy framework**

Pillar 1:	Pillar 2:	Pillar 3:
<b>Pre-competition regulations and Government interventions: opening markets and removing anticompetitive sectoral regulation</b>	<b>Competitive neutrality and non-distortive public aid support</b>	<b>Effective competition law and antitrust enforcement</b>
Reform policies and regulations that strengthen dominance: restrictions on the number of firms, statutory monopolies, bans towards private investment, lack of access regulation for essential facilities	Control state aid to avoid favoritism and minimise distortions to competition.	Tackle cartel agreements that raise the costs of key inputs and final products and reduce access to a broader variety of products.
Eliminate Government interventions conducive to collusive outcomes or increase the costs of competing: controls on prices and other market variables that increase business risk.	Ensure competitive neutrality, including vis-à-vis SOEs.	Prevent anticompetitive mergers.
Reform Government interventions that discriminate and harm competition on the merits: frameworks that distort the level playing field or grant high levels of discretion.		Strengthen the general antitrust and institutional framework to combat anticompetitive conduct and abuse of dominance.

Source: WBG-OECD (2016). Adapted from Kitzmuller M. and M. Licetti, “Competition policy: Encouraging thriving markets for development” Viewpoint Note Number 331, World Bank Group, August 2012

1. Easing constraints on key inputs, especially land for manufacturing activity. The Government could expand recent reforms to simplify land transactions. (Refer Table 4).
  - a. Implementing the Land Title Act.
  - b. Deploying place-based policies and programs where key underlying conditions exists, with greater focus on SMEs.
  - c. Improving the digitisation and quality of land records.
2. Improving agricultural productivity: Policy measures that would boost agricultural productivity and expedite structural transformation include:
  - a. Expanding and strengthening farmer organizations, and facilitating land leasing and pooling, to mitigate challenges associated with land fragmentation.
  - b. Investing in new technologies and modernizing infrastructure.

- c. Promoting continued diversification to higher value agricultural commodities.
  - d. Promoting sustainable resource use.
3. Facilitating labour mobility by strengthening the “One Nation One Ration Card” (ONORC) scheme.
  4. Consolidating gains in physical and digital infrastructure development. India is undertaking several reforms to strengthen its physical and digital infrastructure.
    - a. Developing an updated classification of infrastructure to inform the Harmonized List of Infrastructure.
    - b. Strengthening multimodal connectivity by incentivizing investments in greener transport modes.
    - c. Policies to bridge the rural-urban divide in digital access and incentivizing firms to adopt advanced digital solutions would strengthen the multiplier effects associated with rising ICT investments.
  5. Expanding GVC participation by focusing on the “whole of the supply chain”.
  6. Facilitating the infusion of technology across domestic firms to lay the foundation for greater innovation and creative destruction in the economy.
  7. Reinforcing the competition policy framework to boost market dynamism.
  8. Improving learning outcomes further.
  9. Enhancing expenditure efficiency to leverage limited budgetary resources available for human development.
  10. Deepening financial sector reforms to boost credit and investment.
    - a. Facilitating the timely recognition of financial risks: The current macro-financial environment, characterized by low NPA ratios and sound balance sheets, provides an opportunity to expand countercyclical capital buffers (that are currently zero) to preserve banks’ ability to lend in potential future episodes of financial stress. The RBI has continued to strengthen banks’ compliance with the NPA classification, including through automation requirements. However, there is still room for progress, for instance, by addressing exemptions for certain exposures and relatively low minimum provisioning rates through the adoption of International Financial Reporting Standards (IFRS) 9 with prudential backstops.
    - b. Strengthening NPA resolution mechanisms.
    - c. Deepening corporate bond markets (CBMs).
    - d. Facilitating financing for MSMEs.
    - e. Improving NBFC access to long-term funding.
    - f. Strengthening digital financial services.
  11. Policy improvements towards removing barriers to FDI.
  12. Unlocking financing for infrastructure.
    - a. Strengthening project preparation systems.
    - b. Scaling up blended finance tools.
    - c. Guarantee Fund and Credit Enhancement Tools.
  13. Targeting public investments in key sectors crowd in private investments.
  14. To support job creation in relatively low-productivity sectors, cross-cutting priorities include easing factor market regulations and providing basic infrastructure facilities.
  15. To support high-productivity sectors, policy can focus on tertiary education, improving the capabilities of firms and workers to adopt technology, and creating an innovation ecosystem.
  16. Boosting women’s participation in paid activities requires better access to child and elderly care, skilling, formal credit, and infrastructure. Subsidizing informal childcare provision.
  17. Less developed states have significant potential to realize productivity and employment gains by promoting the manufacturing sector.
  18. Relatively developed states can emphasize higher productivity, modern marketable services to attract more private investment.
  19. National-level interventions can assist districts to do better.

## CONCLUSION

Several characteristics of successful and trapped UMICs studied in this report provide useful information for India. Future studies may focus on a detailed analysis of these characteristics to derive meaningful information for decision-making. There has been relatively stronger performance of services compared to manufacturing. The comparisons of the sector performance and its contribution to the overall GDP growth have given new insights for the future transition to HIC status for India. The efficiency analysis of investments in the banking, financial markets, and human capital in various states are significant indicators of economic growth. Reducing the gap between the higher and lower income convergence groups by accelerating the catch-up growth of less developed states will be critical to achieving India’s high income aspirations. Some degree of convergence is essential since the less developed states are the most populous and home to most of India’s poor. This will require harnessing untapped domestic sources of growth and expanding international trade and GVC participation by building on ongoing reforms and introducing new reforms in critical areas. □