

India's Economy in 2024: GDP Growth and Global Ranking

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India's economy in 2024 highlights a year of resilience and growth, as the country reinforced its position as a rising global economic powerhouse. With a projected GDP growth of 6.6 percent for FY2024-25, supported by robust financial stability and strategic policy measures, India has maintained a momentum toward surpassing major global economies.

This progress is accompanied by record FDI inflows, a flourishing export sector, and significant advancements in infrastructure and financial regulation.

In 2024, India continued with economic expansion, ensuring its status as an emerging global economic powerhouse. With a 6.6 percent Gross Domestic Product (GDP) growth rate, the country retained its position as the world's fifth-largest economy, steadily narrowing the gap with Germany, which ranks fourth at present. This performance underscores India's consistent trajectory of growth, underpinned by strategic initiatives and resilient economic policies.

India's GDP per capita, which measures the average economic output per individual, saw a significant rise in 2024. The per capita income growth rate stood at 2.73 percent, indicating progress in the living standards of Indian households. For the financial year 2023, India's per capita income was nearly INR 200,000 (US\$2,336), a striking increase from INR 71,609 (US\$836.4) in 2012. This growth, amounting to a 175 percent rise over the past decade, can be attributed to population growth, increasing demand for employment, and expanding economic activities.

RBI's Financial Stability Report (FSR) 2024

The Reserve Bank of India (RBI) released its **FSR** for December 2024. The report, published on December 30, 2024, aligns with the GDP growth projection of 6.6 percent for FY2024-25, as previously outlined by the outgoing RBI Governor Shaktikanta Das during the monetary policy announcement on December 6.

It must be noted that the FSR serves as a vital resource for understanding the stability of the financial sector and identifying potential risks and issued twice a year i.e., June and December.

Improved asset quality of banks

The report notes that Indian banks have achieved a significant milestone, with gross non-performing assets (NPAs) declining to a 12-year low of 2.6 percent as of September 2024. This improvement is attributed to positive recovery efforts, the strategic write-off of legacy bad loans, and a slowdown in the accumulation of new bad assets.

Economic growth outlook

The RBI projects India's GDP growth rate at 6.6 percent for the fiscal year 2024–25, indicating a recovery trajectory following the economic slowdown experienced during the first half of the fiscal year. This growth forecast underscores a positive outlook for the economy amid improving financial stability.

GDP represents the total monetary value of goods and services produced within a country during a specific period, serving as a vital indicator of economic health.

Liquidity deficit challenges

The latest FSR notes that India's banking system is grappling with a growing liquidity deficit, which stood at INR 2.43 trillion (US\$28.38 billion) as of December 23, 2024. This deficit is driven by factors such as tax outflows and the central bank's foreign exchange interventions. To address the issue, market participants anticipate measures like open market bond purchases and potential reductions in the cash reserve ratio (CRR).

Regulatory compliance improvements

The FSR dossier highlights a significant improvement in regulatory compliance among banks and financial institutions. Monetary fines imposed by the RBI from June to November 2024 totaled nearly INR 300 million (US\$3.5 million), a notable 47 percent reduction compared to INR 570 million (US\$6.65 million) during the same period in the previous year. This decline reflects enhanced adherence to regulatory norms.

Strengthening of NBFCs

The report also makes notes on strengthening of the balance sheets of non-banking financial companies (NBFCs). It states that stress tests conducted by the RBI reveal that even under high-risk scenarios, NBFCs would retain capital levels well above the required minimum, showcasing their improved financial resilience.

The FSR outcome suggests a balanced outlook for India's financial system, with positive signs of stability and preparedness for potential economic challenges. It reflects progress in critical areas such as asset quality, regulatory compliance, and the robustness of non-banking entities, while also highlighting areas requiring attention, such as liquidity management and macroeconomic risks.

IMF prediction economic outlook for 2025

The latest International Monetary Fund (IMF) projections indicate that India will surpass Japan by