BODHIVRUKSHA JOURNAL OF DIVERSE DISCIPLINE (BJDD)
An Open-Access, Peer-Reviewed, Multidisciplinary Scholarly Journal | Bi-Monthly | Multilingual | Academic Research
Vol 2, Issue 6 (November-December 2026) (Special Issue 2) | ISSN: 3139-1486 (Online) | ISSN: 3139-9819 (Print)

THE FUTURE OF THE INDIAN ECONOMY AND THE CENTRAL ROLE OF THE STOCK MARKET: A FUTURISTIC INDIA 2047

DR. AKASH RAVISHANKAR DHANDE
BHAUSAHEB BHORE SHIVSHAKTI COLLEGE, BABHULGAON,
DISTRICT YAVATMAL.

Abstract

This detailed research paper examines the structural evolution of the Indian economy and the vital function of the domestic capital market—particularly the stock market—as a driving force for sustained economic growth. As India progresses through an advantageous demographic dividend and moves toward its vision of becoming a developed nation ('Viksit Bharat 2047'), the financial system is undergoing a significant transformation. This study reviews historical GDP growth trends, the rapid increase in retail investor engagement via Systematic Investment Plans (SIPs), advancements in digital brokerage, institutional investment flows, and contributions from various sectors. By employing empirical secondary data and comprehensive trend analysis, we assess the stock market's dual function as a sensitive indicator of macroeconomic conditions and an active facilitator of capital formation. In addition, the paper consolidates existing scholarly literature and addresses.

Keywords: Growth of Indian Economy, Stock market, Capital Formation, SIP and total deposit system, Vikasit Bharat 2047, Financial Inclusion, Market capital assets.

1. Introduction

The current global economic framework is experiencing a structural shift towards the east, with India solidifying its position as one of the most dynamic, resilient, and rapidly expanding major economies. Driven by strong domestic demand, extensive infrastructure projects, swift digital advancement, and active fiscal-monetary strategies, India is now the fifth-largest economy in the world and is clearly on track to achieve the third spot by the decade's end. At the core of this economic growth is the financial sector, where capital markets—supported by leading institutions like the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE)—function as the essential circulatory system. Once viewed as a specialized, speculative arena for affluent investors, the Indian stock market has evolved into a democratic platform for widespread participation in wealth generation. This development has significant effects on the allocation of capital, the enforcement of corporate governance, and the funding of entrepreneurial innovation in both urban and rural areas.

2. Objectives of the Study

The main aims of this research paper are organized as follows

BODHIVRUKSHA JOURNAL OF DIVERSE DISCIPLINE (BJDD)
An Open-Access, Peer-Reviewed, Multidisciplinary Scholarly Journal | Bi-Monthly | Multilingual | Academic Research
Vol 2, Issue 6 (November-December 2026) (Special Issue 2) | ISSN: 3139-1486 (Online) | ISSN: 3139-9819 (Print)

● To analyze the macroeconomic principles and development path of the Indian economy to 2047.

● To examine current research on the causal link between capital market growth and economic development.

● To examine empirical patterns in retail engagement and institutional investments.

● To pinpoint significant sector-specific factors influencing market capitalization and economic performance.

● To evaluate potential macroeconomic and develop strategic policy suggestions for sustainable growth in capital markets.

3. Review of Literature

- Levine & Zervos (1998): Demonstrated through cross-country empirical evaluations that stock market liquidity and banking sector development are positively and significantly correlated with current and future rates of economic growth, capital accumulation, and productivity improvements.
- Gurley & Shaw (1955) & Tobin (1969): Emphasized the role of financial deepening in transforming illiquid household savings into liquid productive capital, thereby reducing the cost of capital for industrial enterprises.
- Pardy (1992) & Shah & Thomas (2001): Analyzed emerging market economies, observing that modernized stock exchanges with electronic trading infrastructure reduce market friction, enhance price discovery, and improve corporate accountability through stringent disclosure standards.
- RBI & SEBI Empirical Studies (2020–2026): Recent domestic literature highlights the paradigm shift in Indian household savings behavior. The literature notes that digital onboarding, UPI integration, and financial awareness campaigns have led to a structural transition from physical gold/real estate assets into equity mutual funds and direct market instruments.

4. Methodology

This research article employs a mixed-methods approach, utilizing descriptive and empirical research designs that incorporate both quantitative historical data analysis and qualitative prospective modelling.

● Secondary Data Collection: Data was methodically collected from official institutional databases such as the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Ministry of Finance (Government of India), International Monetary Fund (IMF), and reports from the World Bank covering the periodfrom2015to2026.
● Literature Synthesis: Qualitative meta-analysis of essential and scholarly peer-

BODHIVRUKSHA JOURNAL OF DIVERSE DISCIPLINE (BJDD)
An Open-Access, Peer-Reviewed, Multidisciplinary Scholarly Journal | Bi-Monthly | Multilingual | Academic Research
Vol 2, Issue 6 (November-December 2026) (Special Issue 2) | ISSN: 3139-1486 (Online) | ISSN: 3139-9819 (Print)

reviewed journals regarding financial economics and capital market development.
● Trend and Comparative Evaluation: Quantitative assessment of key metrics—like Market Capitalization-to-GDP ratio, mutual fund investments, credit-to-deposit margins, and foreign portfolio investments—to gauge the level of economic integration.
● Advanced Scenario Forecasting: Qualitative estimation of economic achievements leading to 2047, incorporating technological advancements (FinTech, AI, blockchain) and demographic shifts.

5. Discussion and Analysis

To rigorously evaluate the interplay between the Indian economy and its stock market, we examine empirical data across key financial metrics and structural indicators over successive periods.

Economic & Market Parameter	2015-16 Baseline	2020-21 Status	2025-26 Current Status	2047 Projections (Vision)
Nominal GDP (USD Trillion)	$2.10 Trillion	$2.70 Trillion	~$3.95 Trillion	$30.0+ Trillion
Market Capitalization (USD Trillion)	$1.60 Trillion	$2.50 Trillion	~$5.20 Trillion	$25.0+ Trillion
Market Cap to GDP Ratio (%)	~76%	~92%	~130%	~150% - 180%
Active Demat Accounts (Millions)	~23 Million	~55 Million	~175+ Million	400+ Million
Monthly SIP Inflows (INR Crore)	~₹3,100 Cr	~₹9,200 Cr	~₹24,000+ Cr	~₹1,00,000+ Cr

SOURCE: Table 1 RESERVE BANK OF INDIA 2025.

5.1 Expansion of Finance and Market Valuation

The empirical data indicates a substantial growth of capital markets in India. The Market Capitalization-to-GDP ratio has increased from 76% in 2015–16 to over 130% currently, suggesting that corporate equity values increasingly align with the underlying economic output. This expansion is supported by the rapid formalization of household savings, transitioning from traditional physical assets to financial products.

5.2 The Growth of Retail Domestic Investment (SIP Culture)

A significant discovery from this analysis is the rise of Domestic Institutional Investors (DIIs) and retail mutual fund investors as stabilizing forces in the market. Monthly SIP inflows have surged beyond ₹24,000 crore, establishing a strong domestic buffer that effectively protects the Indian market from abrupt capital withdrawals by Foreign Institutional Investors (FIIs).5.3 Sectoral Contribution Analysis

BODHIVRUKSHA JOURNAL OF DIVERSE DISCIPLINE (BJDD)
An Open-Access, Peer-Reviewed, Multidisciplinary Scholarly Journal | Bi-Monthly | Multilingual | Academic Research
Vol 2, Issue 6 (November-December 2026) (Special Issue 2) | ISSN: 3139-1486 (Online) | ISSN: 3139-9819 (Print)

- Banking, Financial Services, and Insurance (BFSI): Remains the heavy-weight anchor of market indices, channeling liquidity to diverse industrial and retail sectors.
- Information Technology & Digital Services: Serves as a primary export earner and global tech leader, rapidly pivoting toward AI, cloud computing, and SaaS architectures.
- Infrastructure & Green Energy Transition: Capital goods, renewable energy (solar and green hydrogen), and electric vehicle (EV) ecosystems are witnessing massive capital allocation aligned with national net-zero commitments.
- Pharmaceuticals and Biotechnology: Cementing India's reputation as the 'Pharmacy of the World' through robust R&D investments and global supply chain integration.

6. FINDINGS

The main results obtained from this research paper is:

- Equity Democratization: The number of active Demats accounts has surged almost eight times in the last ten years, indicating significant financial literacy and inclusion in Tier 2 and Tier 3 cities.
- Strength against Global Shock: Robust domestic SIP inflows have diminished the Indian stock market's susceptibility to global macroeconomic disturb and FII selloffs.
- Validation of Financial Development Literature: Consistent with classical financial development theories, the growth of India's stock market has directly supported corporate capital expenditure growth and technology advancement.
- Driver of Corporate Governance: SEBI's rigorous disclosure requirements and listing rules have enhanced corporate governance standards, strengthening international investor trust.
- GIFT City as a Growing Global Centre: The International Financial Services Centre (IFSC) in Gujarat is effectively drawing international investment and cross-border financial activities..

7. CONCLUSION

The interconnectedness of the Indian economy and its stock market is fundamental to the country's future success. As India moves closer to its 'Viksit Bharat 2047' goal, the stock market has effectively evolved from a secondary trading platform into the core driver of capital creation, wealth accumulation, and corporate responsibility. Despite macroeconomic challenges, geopolitical conflicts, and speculative trading in retail derivatives creating continuous risks, effective regulatory oversight, improved financial literacy, and technological advancements will keep India's capital markets strong, inclusive, and competitive on a global scale.

8. REFERENCES

- Gurley, J. G., & Shaw, E. S. (1955). Financial aspects of economic development. *The American Economic Review*, 45(4), 515–538.

BODHIVRUKSHA JOURNAL OF DIVERSE DISCIPLINE (BJDD)
An Open-Access, Peer-Reviewed, Multidisciplinary Scholarly Journal | Bi-Monthly | Multilingual | Academic Research
Vol 2, Issue 6 (November-December 2026) (Special Issue 2) | ISSN: 3139-1486 (Online) | ISSN: 3139-9819 (Print)

- International Monetary Fund. (2025). *World economic outlook: Sustaining recovery*. IMF Publications.
- King, R. G., & Levine, R. (1993). Finance and growth: Schumpeter might be right. *The Quarterly Journal of Economics*, 108(3), 717–737. https://doi.org/10.2307/2118406
- Levine, R., & Zervos, S. (1998). Stock markets, banks, and economic growth. *The American Economic Review*, 88(3), 537–558.
- Ministry of Finance, Government of India. (2025). *Economic survey of India 2024–25*. Oxford University Press.
- Pardy, R. (1992). *Institutional reform in emerging securities markets* (World Bank Policy Research Working Paper No. 907). World Bank.
- Reserve Bank of India. (2025). *Annual report 2024–25*. RBI Publications.
- Securities and Exchange Board of India. (2025). *SEBI bulletin and annual review on market development*. SEBI.
- Shah, A., & Thomas, S. (2001). *Interactive effects of policy reforms and technological change on the Indian stock market* (BSE Research Papers Series). Bombay Stock Exchange.