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Dr. Sharmita Nandi
Associate Professor,
Department of Economics,
Navyug Kanya
Mahavidyalaya, Lucknow,
Uttar Pradesh, India

India to be the growth engine of the near future

Dr. Sharmita Nandi

Abstract

As India surges ahead on the path of recovery from the shocks of the past three years, the question being asked is will India make it? A valid question, no doubt, as we find advanced economies declare recession one by one and the ones that haven't, grappling with economic chaos. As the nation with the largest population in the world and a large proportion of poor, but with a huge market and talent pool, along with a large labour force, India is set to become a growth engine of the world in the near future. It has shown great resilience at a time when growth rates of advanced nations, let alone those of poor countries, have dived. It has shown admirable immunity to the disturbances of the global community, despite being the most populous country in the world. Political leaders and corporate heads are seeking to learn from the 'India model'. This is a golden opportunity for India to leverage its unique skills and assets and grow rapidly without losing its strong cultural identity, while at the same time enable its deprived populace to move out of poverty and turn into participants in its growth process. This paper will discuss some of the key growth engines of modern India that will enable it to achieve its objective- their potential and how they will give wings to a stronger and even more resilient India.

Keywords: Resilient, growth, engines, identity, leverage

Introduction

As India navigates through its seventy sixth year of independence from British rule, and determinately moves ahead towards celebrating its hundredth year of being an independent country, these years in between being referred to as the 'Amrit Kal', we have set many big yet achievable goals in front of us. The policy of putting the country first in all decision making, encouraging participation from all sections and sectors of the country, empowering all, being inclusive in its approach, ensuring equality and transparency and being pro-active has begun to show results. While the world around us seems to be collapsing- primarily on account of high levels of inflation and geopolitical tensions and their consequent aftermath in a highly interconnected and interdependent world- India has been resilient to such pressures- more than most countries, including advanced nations. It has been pursuing its goals in a focused way- putting the nation and its people above all else.

The GDP growth rate of India was at a healthy 6.15% between January and March 2023, raising expectations of achieving a growth rate of 7.2% in 2022-23. The projected growth rate of the global economy was, however, only 2.6% (OECD). India has been gaining market share in information technology and business consulting, boosting service activity to the highest over the past years. It has become the fastest growing economy in the world.

According to the IMF, at a time when global growth rates are falling, developing and emerging market economies will keep the momentum. In fact, four-fifths of global growth will be on account of them. India and China will account for half of global growth this year. The growth rates of India this year and the next will be the fastest for a major economy. However, China facing economic headwinds, several economists feel that India and Southeast Asia will overtake China as the main growth drivers this decade.

Having overtaken the UK as the fifth largest economy in the world, India is poised to overtake Germany as the fourth largest economy by 2025, and possibly be the third largest by the end of this decade. The robust performance of the Indian economy and optimism has made India a role model of the world.

As the confidence of its population in its nation is palpable, innovations, new technologies, skilling, and shared growth objectives have taken wings. This has not gone unnoticed.

Corresponding Author:
Dr. Sharmita Nandi
Associate Professor,
Department of Economics,
Navyug Kanya
Mahavidyalaya, Lucknow,
Uttar Pradesh, India

As other nations flounder, India has emerged stronger and has become a beacon of light for them. International experts feel that India is creating growth opportunities in various fields, such as supply chain relocations, public infrastructure spendings, digitalization, among others. The growth led by a number of sectors have raised hope of India becoming a growth engine for the world in the near future. The IMF Managing Director Kristalina Georgieva, ahead of the G20 meeting in Bengaluru, described India as a ‘global growth engine’, and a ‘bright spot’ in an uncertain global economy. She said that India will contribute 15% to global growth rate and that the country was ‘uniquely poised to bring countries together’. Thus, India has indeed become the global growth engine.

A growth engine may be considered to be a set of processes designed to work in unison powering the vehicle-an industry

or a country- to move ahead rapidly and smoothly. Thus, the growth engine is most often engineered through a strategy to achieve the desired objective. As the world progressed since the industrial revolution, manufacturing became the growth engine for many of the industrialised countries. At present the role has been assumed by the service sector. In today’s world, technology driven processes and AI have become the new growth engines. At present all nations are striving to improve their technologies to take care of increasing demands for them. India can and should take advantage too, as it has an immense pool of talent and the potential to do that. It will encourage innovation and attract investments, creating new job opportunities, reducing poverty and improving living standards besides inducing higher growth rates taking the country rapidly towards its aim of becoming a \$5 trillion economy in the very near future.

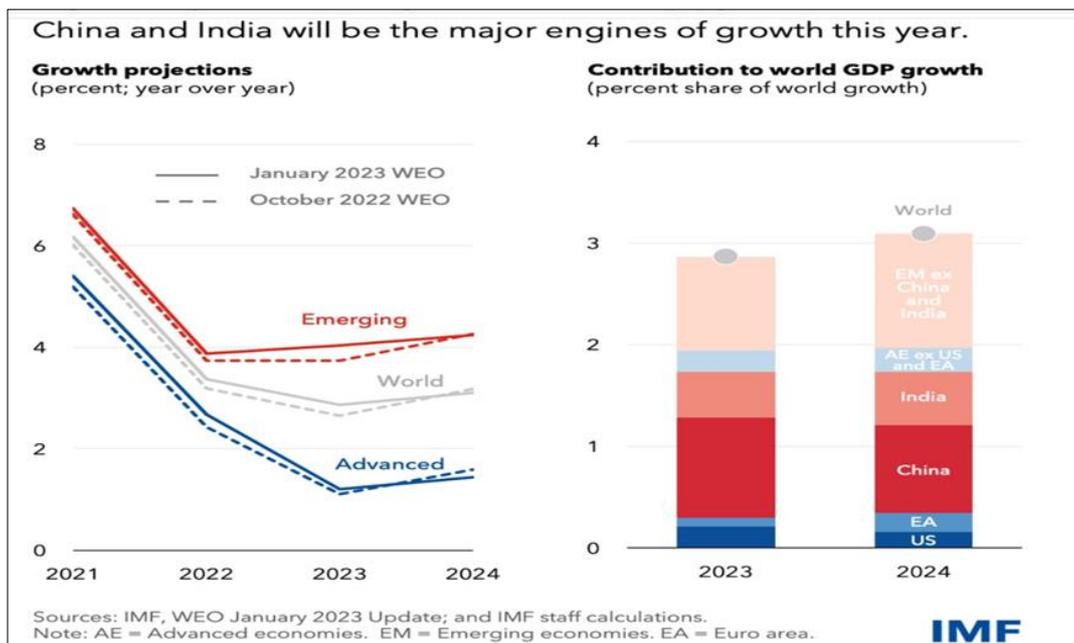


Fig 1: China and India will be the major engines of growth this year

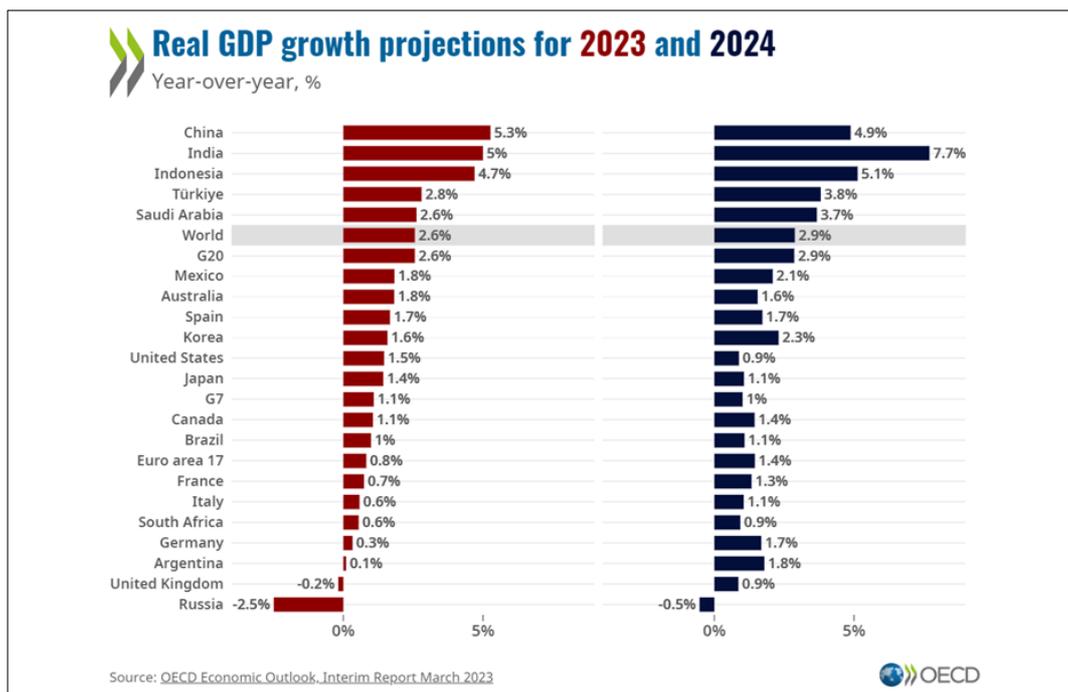


Fig 2: Real RDP growth projections for 2023 and 2024

Technology as growth driver

Historically, it has been seen that continuous technological advancements have created lasting economic growth opportunities. Breakthrough innovations have transformed production-processes and productivity- forever. They have provided a clear advantage to those who implemented them, leading to accelerated growth of some nations. This was one of the causes of increasing economic inequalities among nations. Another effect was seen in the form of increasing urbanization. As labour, in these countries moved away from agriculture and graduated toward such towns, it gradually but steadily brought about growth in facilities like health, education, transportation, infrastructure development, markets, entertainment and other amenities. But this also led to highly uneven and unequal growth in the world, with large number of countries- poor and developing- lagging behind. This divergence only deepened with time. At present we can witness a clear divide among the rich and poor and developing nations. Emerging market economies, like India and China, however seem to have done better. Although weighed down by large populations, they have made consistent progress in most sectors. India has seen its agricultural sector performing well along with industrial growth and the service sector doing exceptionally well. India has realized the potential in encouraging the development of innovation and technology to take it forward. MSMEs, Startups, AI, Cloud computing, among others are becoming the growth engines of the new India. Technology is all set to be the major driving force of this decade for India and the world.

Role of New Technology in India

New and emerging technology is expected to generate more than \$1trillion dollar worth economic value in the country, i.e., twenty percent of the targeted \$5 trillion. It is also expected to generate about 65 million jobs by 2025. New technology, including digital technology, and innovations are set to hugely benefit sectors like healthcare, energy, information and technology, agriculture, defence and so on. The government is providing all support to new ventures using and developing such technologies. Big corporates have already begun using them widely. Digital technology has been identified as a major potential contributor to the economy's development. In fact this is being hailed as the 'Techade of India' as it stands at the cusp of a technological revolution. Some of the main drivers here going to be the following-

I Artificial Intelligence: Since AI has become the focal point of research and use in the present world, most technological developments will be centered around it. Having realized that, the Government of India has been supporting research and development and the use of this technology. It envisions its use in many areas, particularly in agriculture, cyber security, healthcare, education, banking and finance, skilling, consumer goods and retail sector, manufacturing, and a number of sectors. AI expenditure is expected to reach \$11.78 billion by 2025 and is expected to add \$1 trillion to India's economy by 2035. India became the incoming chair of Global Partnership on Artificial Intelligence (GPAI) in November 2022, will be the lead chair in 2023 and outgoing chair in 2025. Therefore, it is in a position to influence AI supported global governance and business and also to gain from it. Given its increasing pool of AI trained personnel and emerging startups in this field, India is in a unique position to influence this sector. Though

a number of ethical and security issues are attached to this field, India's NITI Aayog's National Strategy for AI has prioritized principles of ethics, security, fairness, transparency and accountability. As the World Economic Forum has reported that this kind of measured approach to the use of AI will help India not only to bridge its rural-urban divide, but also make it a world leader and help moving towards attaining the SDGs.

II Digital Technology: The resounding success of India's Digital India mission has caught the attention of the entire world. The IMF noted in its working paper entitled 'Stacking up the Benefit Lessons from India's Digital Journey', that India had developed a world class Digital Public Infrastructure to achieve its sustainable development goals. It had formalized the Indian economy. Its use in financial inclusion in the country has become a subject of study in other nations who want to follow it. Aadhar had helped in making direct transfers to beneficiaries minus leakages. It said that on account of this large- scale digital infrastructure, the country could quickly and successfully provide relief to its large poor population during Covid-19 pandemic; quickly scale its vaccine delivery to its vast population and face the challenge of the large-scale internal migration. COWIN: A digital platform used for the vaccination drive, was also deployed by Sri Lanka, Indonesia, Jamaica and Philippines. It applauded India's success story of Jan Dhan Yojana and UPI. No wonder then, that the world wants to study about this achievement and learn from India. Thus, India has a lot to offer to the world in this sector, making it a promising growth engine.

III. 5G Technology: The Prime Minister of India launched the 5G service in India on October 1, 2022, while at the same time unveiling different 5G use cases of Telecom Service Providers in healthcare, education, smart agriculture, workers safety and others, ushering in a new and revolutionary era of digital connectivity- empowered growth. He also launched the 5G NSA Core of CDoT. 5Gs high speed data, low latency and higher bandwidth allows better connectivity amongst a variety of devices. This has paved the way for the growth of a large number of providers of 5G solutions, chipsets, networking equipment, etc. developed by Indian telecom startups, MSMEs and larger industries. This technology, according to NASSCOM is expected to increase India's GDP by around \$ 180 billion by 2030 on the back of increasing market penetration, strengthening of the economy and sectoral reforms. This digital revolution will no doubt strengthen India's position as a global digital powerhouse. It could capitalize the industry 4.0 and lead the world.

IV. Drone Technology: Unmanned Aerial Vehicles (UAVs) commonly known as drones, are being used all over the world for varied operations including defence, disease control, delivery of goods, and a host of other activities. India too has the necessary infrastructure, like AI, digital technology, etc., in place to use drones for a variety of purposes like surveillance, defence, geographical mapping, disaster management, search and rescue, tourism and many more.

The Government of India has planned to make India a Global Drone Hub by 2030. For this, a total of 12 ministries are trying to boost indigenous demand for drones for several uses. This is estimated to generate a demand for one lakh drone pilots in the immediate future. The government is encouraging the development of this industry and offering a number of incentives like creation of drone corridors, simplified procedures, incentives to local manufacturers,

and so on; while at the same time putting restrictions on the import of foreign drones, except some components. The private sector is showing keen interest in this industry. Between August 2021 and February 2022, there was a 34.4% increase in the number of drone startups, bringing the total number to 221.

The government expects the total turnover of drone manufacturing industry to increase to 900 crore rupees by FY24. According to the Civil Aviation Ministry, this industry in the country is expected to reach US\$ 1.5 to 1.9 billion by 2026, making it a strong growth engine of emerging India.

V Green Hydrogen Technology: As India moves rapidly forward, its energy requirements have risen, necessitating the need to seek green alternatives to reach the target of net zero while meeting its growth requirements. For this the government has taken a number of steps, which have begun to show results. According to the Climate Change Performance Index, 2023, India ranks among the top five countries in the world and is the top performer in G20. India has launched the National Green Hydrogen Mission on February 2022, aiming to reduce greenhouse gas emissions by 50 MMT by 2030 in its quest to reach the target of net-zero by 2070. It seeks to create 600,000 job opportunities in the sector. It also aims to attract foreign investments for its projects. India has announced plans to build green hydrogen projects in collaboration with large industry players like Indian Oil Corporation, NTPC Ltd, and corporates including Reliance and Adani. It requires new steel plants to be capable of operating on green hydrogen. India's aim is to manufacture 5 million tons of green hydrogen fuel per annum by 2030 and become a production and export hub for the same. India wants to become energy self-sufficient by 2047.

VI Blockchain Technology: With its pool of skilled developers and rapid technological advancement, India is positioned well to become a major international player in the field of Blockchain technology. This technology is being increasingly used in business, finance, banking, law, medicine, land record, education and a number of other areas. Some of the major users of this technology in India are Infosys, TCS, Accenture, Kellton Tech, etc. One of the factors driving Blockchain technology adoption in the country is digitisation. India has successfully created a digital infrastructure in the form of Aadhar, UPI, e-Sign, Digilocker, digitally enabled tax governance in GSTN and others ever since the launch of Digital India mission, 2015. All these areas present opportunities for the use of Blockchain technology.

The Government of India already has a dedicated centre for this – Centre of Excellence in Blockchain Technology, in the National Informatics Centre of the Ministry of Electronics & Information Technology-with its own website- blockchain.gov.in. It lists four Blockchain products-certificate chain, document chain, drug logistics chain and property chain. It is offering Blockchain as a Service.

Blockchain user companies will be able to cater to making the 'Make in India, Make for the World' concept come true.

MSMEs as growth engines

MSMEs have become the fastest growing sector in the country, making it the engine of growth for 'new India'. MSMEs contribute about 30% to the country's GDP,

employs over 100 million people and accounts for over 40% of our exports. There are over 63.4 million units spread across the country. MSMEs biggest strength in the country has been their number and reach, the manufacturing MSMEs are the major players in this area. The government is reaching out to them through various schemes to encourage innovations, provide credit facilities, ease of doing business and training to its workforce for the necessary upskilling. Due to technological development, it has become possible for them to reach out to previously inaccessible markets and gain access to credit. A number of startups in this category are performing exceptionally well. New age Startups, e-commerce, unicorns and hyperlocal marketplaces have become major drivers of success. India has a number of unicorns. According to Hurun's Global Unicorn Index 2023, with 68 new unicorns this year valued at over \$1 billion, India is at the third place in the world, after China and the US. MSMEs are widening their reach across various sectors of the economy, producing a diverse range of goods and services to cater to growing domestic as well as global demand. Major e-commerce players are now often providing MSMEs working capital, thus benefitting the units, themselves and consumers. A strong digital ecosystem and various government schemes are helping the MSMEs in a big way. Mobile applications, better networks are helping the units in their operations and sales. Innovations are being encouraged. These will not only give a boost to investment, but will also facilitate better workforce participation. Given the right kind of support, this sector has immense potential to contribute even more significantly to India's success as a growth engine for the world.

Conclusion

India is a land of immense opportunities and talent. Given the right atmosphere, they flourish. This is true of every section and sector of the country. As support and necessary infrastructure has been provided, we find numerous 'bright spots' within the country, propelling it on the path of rapid growth. All of these sectors have together contributed in making India the fastest growing economy in the world, which is no mean feat. A country with the highest population and a large number of poor, this achievement becomes even more significant. The development of these sectors will help in reducing poverty quickly and rapidly lower inequalities within the country while raising the standards of living of its people. India's exports have been exhibiting a strong buoyancy. Strong infrastructure projects, pragmatic policies, rise in investments along with a strong digital ecosystem has opened up vast avenues of opportunities for India. At a time of challenges in the world, India's robust growth lends confidence to the country and has become a ray of hope to the rest of the world.

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