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Received-18.02.2024, Revised-25.02.2024, Accepted-01.03.2024 E-mail: tanishkshkhar@gmail.com

Abstract: India is primarily driving economic sovereignty through regulation, a prominent feature in the multiple free trade agreements it is negotiating with individual countries as well as regional trade blocs. Strategic rivalries are playing out through friend-sourcing trade, preferential access or denial of technology, and selective access to markets and resources.

Businesses that align with government investment programmes - bringing higher levels of investment into the country and creating manufacturing jobs - must plan effectively to navigate the risks and challenges that will accompany this growth. Control Risks' Top Risks for 2024 can help companies make sense of their exposure and prospects in this large high-growth, high-risk economy.

Key Words: economic sovereignty, prominent feature, individual countries, Strategic rivalries, sourcing trade.

Economic growth has now become India's most significant way of projecting geopolitical, diplomatic, and military might. Companies have a massive opportunity here if they can help enable it.

Surviving locally in India will require companies to understand and ally with India's benefits-based decision-making on geopolitical and operational risk issues. Every manufacturing company should have an indigenisation programme - not just to tap into the growing consumer class in India, but also to stay aligned with local politics, social norms, and sensitivities. Mapping key stakeholders' specific interests will help companies understand how they can best position themselves with key political and bureaucratic decision makers in India.

The Project-

- * Vision India@2047 is a project initiated by the NITI Aayog, the apex policy think tank of India, to create a blueprint for India's development in the next 25 years.
- * The project aims to make India a global leader in innovation and technology, a model of human development and social welfare, and a champion of environmental sustainability.

Objectives:

- * Achieving a USD 30 trillion economy with a per-capita income of USD 18,000-20,000 and strong public finances and a robust financial sector.
- * Building world-class infrastructure and facilities in both rural and urban areas.
- * Eliminating unnecessary interference by the government in the lives of citizens and promoting digital economy and governance.
- * Developing 3-4 global champions in every sector by merger or restructuring and boosting indigenous industry and innovation.
- * Becoming self-reliant in defence and space sectors and enhancing India's role in the world.
- * Fostering green growth and climate action by increasing renewable energy capacity and reducing carbon emissions.
- * Empowering the youth with skills and education and creating more employment opportunities.
- * Partnering with foreign R&D organizations to build top 10 labs in the country and bringing at least 10 Indian institutions among the top 100 globally.

What is the Current Status and Future Prospects of the Indian Economy?

Current Status-

- * India is currently estimated to be the fifth largest economy in Nominal terms and 3rd largest in PPP (Purchasing Power Parity) terms.

By 2022, the size of Indian GDP had already become larger than the GDP of the UK and also France.

The Vision India@2047 plan, as it is officially named, has been in the works for nearly two years with officials across ministries brainstorming on how to take the country from its current level of development to where it aspires to be.

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Future Prospects:

* Several estimates show that India's GDP is expected to overtake Japan and Germany by 2030.

* Ratings agency S&P estimates that India's nominal GDP will rise from USD 3.4 trillion in 2022 to USD 7.3 trillion by 2030.

* This rapid pace of economic expansion would result in the size of the Indian GDP making India the second largest economy in the Asia-Pacific region.

* The preliminary results from NITI Aayog's forecasting have predicted:

* India's exports will be valued at USD 8.67 trillion in 2047 while its imports will be valued at USD 12.12 trillion.

India's average life expectancy will jump to 71.8 from 67.2 in 2021 and its literacy rate to 89.8% from 77.8% in 2021.

Factors that may Contribute to India's Economic Growth?

* Demographic Dividend: India has a large and young population that can provide a skilled and productive workforce for various sectors.

* According to reports, India has a population of over 1.4 billion people, with more than 40% below the age of 25. This provides a huge demographic dividend for economic growth.

* Growth of the Middle Class: India's middle class is projected to expand from about 50 million in 2023 to over 500 million by 2050, creating a huge domestic market and demand for goods and services.

* Accelerated Digital Economy: India has been embracing digital transformation and innovation, especially in the areas of e-commerce, fintech, edtech, healthtech, and agritech.

* These sectors have the potential to create new jobs, improve efficiency, and increase access to services.

* Sustainability-Focused Economy: India has been investing in renewable energy, green infrastructure, and climate resilience, aiming to reduce its carbon footprint and enhance its environmental quality. These initiatives can also create new opportunities for growth and development.

What are the Challenges before India's 30 tn Dollar Economy Vision?

* Middle Income Trap: There are apprehensions that while moving on its path to developed economy, the Indian economy will fall in Middle Income Trap. After reaching a per capita income of USD 5,000-6,000, it will not move fast.

* According to the World Bank definition, the middle-income trap "refers to a situation whereby a middle-income country is failing to transition to a high-income economy due to rising costs and declining competitiveness".

* Ageing Population: India's current population is around 1.4 billion, and is projected to peak at 1.64 billion in 2048, before declining to 1.45 billion by 2100.

* This means that India will have to deal with the challenges of an ageing population, such as rising health care costs, pension liabilities, and labor shortages.

* Maintaining Higher GDP Growth Rate: Though the Indian economy is growing at a very good rate of 8% but to achieve this goal, this growth rate might not be enough. India needs to grow at a very high and sustainable growth rate.

* Moreover, various estimates show that the Indian Economy will grow at 7% for the next 10 years.

* While the preliminary numbers provided by the Niti Aayog, estimates show that the economy will need to post an annual average economic growth of 9.2% between 2030-2040, 8.8% between 2040-2047 and 9% between 2030 to 2047.

* The Rupee-Dollar Conundrum: India's GDP in dollar terms is also a function of the rupee-dollar exchange rate, which is influenced by various factors such as inflation, trade balance, capital flows, and monetary policy.

* Geopolitics and regional integration: India faces a complex and dynamic geopolitical environment, with rising tensions with China, Pakistan, and other neighbors, and changing relations with the US, Russia, and other major powers.

* Stagnated Agriculture and Manufacturing sectors: Improving the productivity and competitiveness of the agriculture sector, which employs more than half of the workforce but accounts for just 17% of the GDP, and revitalizing the stagnated manufacturing sector, which has maintained a 15% GDP share for decades, while simultaneously generating employment opportunities for the expanding population.

* Lower Labor Force Participation: According to the latest Periodic Labour Force Survey (PLFS) Annual Report 2022-2023, India's labor force participation rate (LFPR) was 40.4% in 2022-2023, which is lower than the global average of 61.4%. Moreover, India's LFPR has been declining over the years, especially for women.

Needs to be Done:

* Aim for Greater, Faster Divestitures: India has a large public sector that often suffers from inefficiencies, corruption,



and losses. By divesting or privatizing some of these enterprises, India could raise funds, improve productivity, and attract foreign investment.

* **Boost the Middle Class:** India's middle class is a key driver of consumption and growth, but it is also burdened by high taxes and low savings. By cutting tax rates or abolishing personal income tax and replacing it with a consumption tax, India could increase the disposable income and spending power of its middle class, while also simplifying the tax system and reducing evasion.

* **Increase Labor Force Participation:** India needs to invest more in improving the quality and accessibility of education and skill development for its labor force.

* Initiatives like New Education Policy and Skill India Mission are the right steps towards this.

* **Accelerate the Infrastructure Pipeline:** India needs to invest heavily in its infrastructure, such as roads, railways, ports, airports, power, water, and sanitation, to improve connectivity, efficiency, and quality of life.

* India has announced a Rs 100 lakh crore-plus National infrastructure pipeline, but it needs to speed up its execution and financing.

* **Build on Manufacturing Momentum:** India has a huge opportunity to become a global manufacturing hub, especially in sectors such as electronics, textiles, pharmaceuticals, and defense. India has launched several initiatives, such as the production-linked incentive (PLI) scheme, to boost its manufacturing sector and create jobs.

* India needs to further improve its ease of doing business, labor laws, and skill development to attract more domestic and foreign investment.

* **Boost Private Investment:** India needs to attract more foreign direct investment and encourage domestic companies to invest in the economy. The government can incentivize private investment by offering support for infrastructure projects and manufacturing.

* **Implement Structural Reforms:** India needs to undertake targeted reforms to raise productivity and competitiveness. McKinsey has identified six areas of targeted reform that can help raise productivity and competitiveness, including financial-sector reforms, urban planning, and e-commerce.

Increase Capital Accumulation: Investment as a proportion of GDP needs to increase to achieve the goal of becoming a USD 30 trillion economy. The government can play a key role in boosting investment by offering substantial support for infrastructure projects and by incentivizing manufacturing.

Geopolitical competition and localisation will shape global business in 2024 as companies and countries reorient and realign. Geopolitical competition is forcing capital to take sides, while localisation is forcing companies to change how they do business. Both megatrends pose strategic risks and opportunities. This is no truer than in India.

India was an early adopter of trade and investment restrictions on China, long before Washington got a taste for it. There still has been no parallel to India's banning last February of over 200 of the most popular China-based apps. Other tactics, like India's Production Linked Incentives (PLI) schemes, aim to build resilience against geopolitical disagreements by reducing imports.

India will likely use this opportunity to play a bigger role in global geopolitics, positioning itself as the peacemaker of last resort while leveraging inward investment to accelerate it becoming a top three global economy by the end of the decade. India looks set for a multi-decade run of 6%+ per annum GDP growth between now and 2047 - a period akin to China's expansion between 2000 and 2019. This long-term focus is where companies need to keep their attention, not on the next few years or on incremental value-added comparisons with China. Companies that invest patient capital in India will position themselves to participate in its projected 10-fold growth in GDP.

A likely third term for Mr. Modi in 2024 would reaffirm his legacy and provide a mandate for greater reform and incentive creation - as well as for tougher regulations on data, energy transition, centre/state balance of power, and critical national infrastructure management. If re-elected, Modi would likely seek to solidify the geopolitical positioning gains from his G20 Presidency, and this would likely take the form of outreach to Africa, funding and technology transfer to the Global South, and a drive towards a revised global order based on population need and development objectives.

We expect 2024 to be the hottest year on record, impacting everything from supply chains to the spread of disease. Support from governments has never been weaker. Regulation is flawed and inconsistent, international cooperation virtually non-existent, and financial backing for transition weak. To top it all off, geopolitical competition is complicating access to the critical minerals vital for transition.

India's over-populated, arable land; sensitive mountain and river ecosystems; and long, fragile coastline makes a for



a risk profile that rebuffs even the most comprehensive operational strategies. Even today, over 60% of Indian farmers are dependent on rains, with 55% of India's net sown area rain-dependent and growing 34 of the country's 40-odd major crops. The current administration is aware of the need for policy-based incentives, changes in behaviour, and regulatory reform. They are equally conscious of the need for continuity and consistent implementation to maintain India's position as a desirable place to invest and grow. Currently, much of the burden of infrastructure and technology transformation needed for energy transition in India rests on the shoulders of international funders and businesses.

Yet as one of the largest potential contributors to global growth this century, India is poised to be the first large developing economy to plot a sustainable trajectory toward becoming a developed nation. Despite its continued dependence on coal, India is rapidly transitioning to renewables (wind, solar, nuclear, hydro) and is making early investments in green and blue hydrogen. India has committed to go net-zero by 2070 and is implementing green investments through a range of policy initiatives, tax incentives and international technology transfers. All of this suggests that India understands the need to grow responsibly. It is still early days - and for India the devil is always in the implementation - but investors are beginning to see intent become action.

India's IT consulting services companies found success delivering digital transformation programmes to creating 20th-century enterprise technology platforms. These platforms are now facing a decline in demand, as well as significant challenges around safeguarding the integrity of their data and technology.

AI poses its own set of threats for India. The Digital Personal Data Protection act - six years and multiple rewrites in the making - does not address the threats posed by malicious AI, while use of fake news and deep fake content will ramp up as India heads into an election year. Autonomous systems enabled by AI will only compound threats to critical infrastructure, which has been recently targeted by threat actors.

The government will need to carefully manage and regulate India's tech and digital infrastructure. India Stack is a sprawling, government-authorised application programming interface (API) that allows third parties (private, public, non-governmental, and social enterprises) to build apps with access to government IDs, payment networks, and data that deliver specific services to citizens and consumers. India Stack and the digital applications that sit on top of it have become a critical national asset. For instance, through the widely available Aadhar card authentication, UPI payment, and 5G enabled smartphone access systems, everything from welfare payments and farm loans to direct to consumer offerings are now delivered online, offering citizens convenient, corruption-free services. Maintaining the integrity and resilience of these data systems will be key to business continuity and national sovereignty in India going forward.

The danger of overload in risk management will hit a new high in 2024. More wars, more coups, more extreme weather events and more instability are putting pressure on risk management teams just as they are facing challenges sustaining or growing their budgets.

India will certainly suffer, to some degree, from this feedback loop. Economic pressure drives climate transition. Conflict triggers cyber and digital threat escalation. Regulation encourages graft.

But political stability, geopolitical alignment and greater operational predictability in India are all factors helping to increase investor confidence. Tech is playing a role here as well. The reliability and scalability of the technology platforms built on India Stack have enabled the Indian government to successfully manage the wealth of data generated by the digital activity of what is currently the largest population in the world.

Managing risk overload requires a holistic and dynamic approach, one that leverages technology and data to source intelligence as well as monitor, manage and mitigate threats. Risk must be integrated into company culture and aligned with values and the corporate risk appetite, as well as driven by ownership and accountability.

Companies that can successfully integrate a tech-driven, multi-disciplinary approach in India - a high-growth market with a multi-faceted and interdependent risk profile - will likely be able to do so anywhere.

India is also aiming to leverage its critical minerals. The government is scaling up efforts to secure supplies of over 30 critical and rare minerals key to the manufacturing of everyday electronics, cutting edge tech, and electric vehicles.

In 2024, companies will be challenged by a paradigm shift in the integrity and resilience of emerging technologies. Threats will arise from AI-enabled cyber threats, reduced levels of human intervention in the digital ecosystem, and the growing complexity of regulatory pressures worldwide.

Viksit Bharat 2047 is not just a slogan, but a Sankalp, a resolve, that resonates with the people of India, especially the youth, who aspire for a better future for themselves and their country. Viksit Bharat 2047 also aims to overcome the colonial legacy, strengthen India's geopolitical position, and enhance its diplomatic relations with other countries.



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