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Emergence of India as a Key Player in Global Economic Affairs

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ABSTRACT

India is indeed the world's largest democracy with a population exceeding 1.4 billion people. The country has experienced significant economic growth over the past few decades, and its integration into the global economy has played a crucial role in this transformation. On February 7, 2015 PM Narendra Modi given an approach aligns with India's vision of a self-reliant and influential India that actively participates in international forums, addresses global challenges, and contributes to the shaping of global narratives (Brueau, 2015).

Realizing these advantages requires efforts such as, sustainable transition, policy support, and adaptability to changing global dynamics. Additionally, addressing challenges such as infrastructure gaps, regulatory complexities, and socio-economic disparities will be crucial for sustaining and maximizing the potential benefits of these advantages. The paper identifies key areas that will accelerate India's growth over the next decade and vision for India's sustainable economic growth and ways to increase its role in the global economy due to its political and strategic importance in the evolving post-COVID-19 pandemic new economic order.

Keywords: India, Global Economy, Sustainable Economy, Strategy, New Economy Order.

INTRODUCTION

It is now well recognized that since 2014, India has registered in the fastest growth nations and increasing the role in the global economy due to transforming its political and strategic importance in the evolving post covid-19 pandemic. India has indeed been a key player in global economic affairs, and there were several factors contributing to its economic strength. India's economy, characterized by a diverse range of sectors such as information technology, pharmaceuticals, and services, played a role in sustaining growth. India's demographic dividend, with a large and young population, was seen as a potential advantage for economic growth. The country implemented economic reforms, and initiatives like "Make in India" were launched to boost manufacturing and attract foreign investment. Leveraging the advantages in labour-intensive manufacturing and attracting foreign direct investment are indeed key areas for India to enhance its economic performance and foster inclusive growth. Modi Government has been known for his ambitious goals and initiatives aimed at transforming India on various fronts, including economic development, infrastructure, governance, and foreign policy as well as potential to be a major player on the global stage. In 2021, India was indeed one of the largest economies in the world. It's GDP (current US\$) placed it among the top economies globally. India's position in total exports and imports could vary based on different sources and methodologies used for calculations. The country's GDP per capita was relatively lower compared to some other major economies, placing it in the lower half globally in terms of per capita income. The Economic Complexity Index (ECI) assesses the diversity and sophistication of a country's exports. If India was ranked 41st in the ECI, it suggests a moderate level of complexity in its economic activities.

As per RBI Records at the end of the month December 2023, India had a record foreign currency reserve of 6, 23,200 US\$ million, 5,51,615 US\$ million in foreign currency assets, and 18365 US\$ million in SDRs. A healthy growth in India's services segments has helped the country's total exports and imports of goods and services to cross the USD 800 billion mark during the first half of 2023, despite a slowdown in global demand (india's foreign trade crosses \$800 bn mark in first six months of 2023: GTRI, 2023).

Table 1: Trade during November 2023

		November 2023 (USD Billion)	November 2022 (USD Billion)
Merchandise	Exports	33.90	34.89
	Imports	55.48	56.95
Services	Exports	28.69	26.93
	Imports	13.40	15.39
Overall Trade	Exports	62.58	61.82
	Imports	67.88	72.34
	Trade Balance	-5.30	-10.52

Source: Ministry of Commerce and Industry, Government of India. (November 2023)

Interpretation: India's overall exports (Merchandise and Services combined) in November 2023* is estimated to be USD 62.58 Billion, exhibiting a positive growth of 1.23 per cent

over November 2022. Overall imports in November 2023* is estimated to be USD 67.88 Billion, exhibiting a negative growth of (-) 6.16 per cent over November 2022.

INDIA'S ECONOMIC POTENTIAL AND IMPORTANCE

India's economic growth over the past few decades has assumed a growth rate of 6–8 percent annually for the next two decades. This is a common approach in economic forecasting and scenario planning. A steady growth rate reflects the expectation that India will continue to experience positive economic development and expansion.

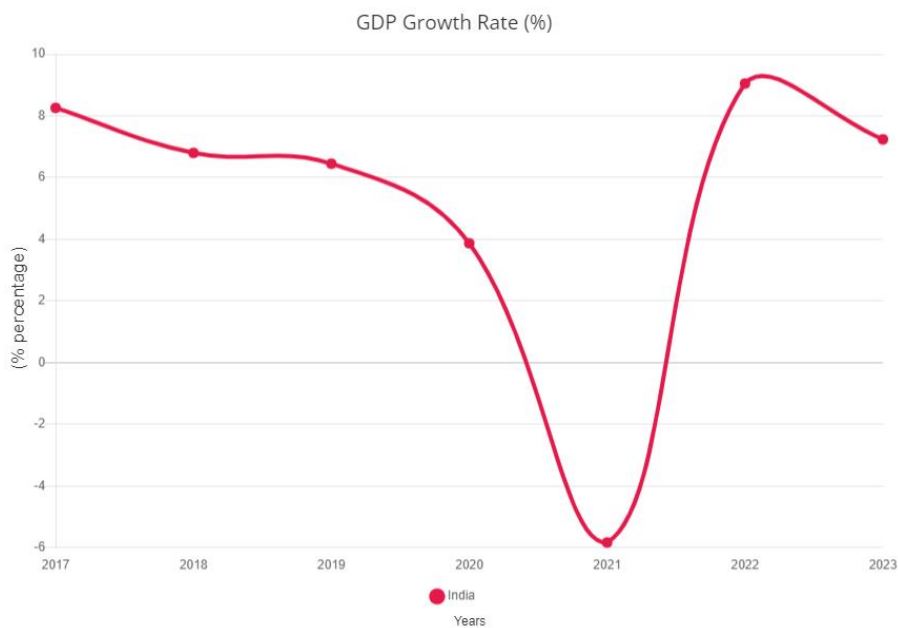


Fig 1: Source, Reserve Bank of India

India has consistently demonstrated strong economic growth in recent years, and it has been projected by some analysts to become the fastest-growing large economy globally in the coming years. Factors contributing to India's economic growth include a large and youthful population, a growing middle class, economic reforms, and increased foreign direct investment. The Government of India has set for itself the goal of becoming a developed economy by 2047. India's demographic significance is indeed a crucial aspect of its impact on the world economy. With approximately 1/6th of the global population, India's demographic trends have far-reaching implications (Srivastava, 2023). India's recent economic reforms in fiscal policy, digital infrastructure, and social inclusion have positioned it for faster, sustainable growth, with a large, deep labour pool and competitive international business environment.

AN ECONOMIC AGENDA

India must rapidly adapt to global trends like urbanization, supply chain changes, digitalization, and sustainability to create 43 business possibilities, sustain 112 million jobs, and generate \$2.5 trillion in economic value by 2030. India's growth prospects are optimistic despite global slowdowns due to high debt to GDP, inflation, population decline, and trade plateau. As the fifth largest economy, India's economic liberalization has increased its market-oriented approach and private capital role, leading to the highest growth projections for any large economy. India's standing in the world economy is particularly strengthened by a few major growth boosters during the next a decade and beyond.

1. Rapid Growth:

India needs to create 90 million new nonfarm jobs by 2030 to accommodate 60 million new workers and 30 million workers transitioning from farm work to productive nonfarm sectors. With an additional 55 million women entering the labour force, the job creation imperative is even greater. India needs to increase net employment by 1.5 percent annually from 2023 to 2030, similar to the 2000-2012 average, but higher than the 2013-2018 flat rate, while maintaining productivity growth at 6.5-7.0% annually. India needs to shift towards higher-productivity industries and adopt new business models to boost demand and productivity, aiming to return to a high-growth path.

India's economic reforms, including fiscal policy, digital infrastructure, and social inclusion, have positioned it for sustainable growth, resulting in a broad labour pool and a competitive business environment. The manufacturing sector typically acts as a boost to the economy, helping it shift from agricultural work to highly skilled occupations in the majority of emerging nations. The establishment of medium- and small-sized businesses. Present-day Indian manufacturing is labour-intensive and focused mostly on low-end industrial goods that are produced on assembly lines and/or don't require much creativity.

2. Information Technology And Services:

Over the past 20 years, India's robust services exports have increased by 14%, reaching US\$254.5 billion in 2021–2022. A significant portion of Business Process Outsourcing (BPO) and Information Technology (IT) services account for US\$157 billion in services exports in 2021–2022. Both international and Indian IT companies have been the main drivers of this expansion. Furthermore, other multinational companies are taking use of Indian talent by way of their competence centers in India, which employ more than 5 million workers¹. Originally a cost arbitrage, this has developed into a major hub for top talent and cutting edge innovation. India's 1,500 Global Capability Centers, 45% of global GCCs, offer

scalable access to skilled manpower and high-quality business processes, enabling India to become a global "office of the world" for corporations.

India's IT industry, contributing 7.5% of GDP in 2023, is thriving due to strong government support, English-based education, and a vast talent pool, potentially becoming the country's main economic engine.

India's IT industry, accounting for 19% of global IT expenditures, experienced significant growth after government regulations promoted easier trade processes. However, the industry faces challenges from evolving technology, international competition, and the coronavirus pandemic, which presents new opportunities for future expansion. India is a global hub for IT outsourcing services, serving large companies in North America and Europe. With a fiscal year 2022 export revenue of nearly 178 billion US dollars, IT services and IT-enabled services are highly sought after, generating millions of jobs (Sun, 2023).

3. Digitalization: A Solidarity Twist

India's government's digital platform focus has enhanced governance, facilitated a robust digital payment system, and paved the way for a digital economy, fostering innovation and economic growth.

With 1.2 billion telecom subscribers and 837 million internet users, the government's emphasis on fostering digital. Platforms have reinforced governance, made it possible for a strong digital payment ecosystem to emerge, and set the groundwork for a digital economy. Over the past 10 years, the government has consistently supported and given special attention to developing India's uniquely scalable Digital Public Infrastructure, which has resulted in development in innovation and entrepreneurship as well as economic benefits. India has a distinct competitive advantage thanks to its infrastructure and populace's embrace of it, which lowers operating costs while formalizing the economy, promoting financial inclusion, and opening up new business prospects.

4. Infrastructure and Building

Investment in infrastructure, particularly in the areas of logistics and transportation, is increasing growth directly and making businesses more competitive over time. Following significant improvements to the road network, attention is now being directed at rail, air, and water transportation, as well as the "Gati Shakti" initiative, which aims to increase multimodal visibility and synergies. IT-based initiatives to make corporate processes easier are being added to the investment in physical infrastructure. One such program is the National Logistics Policy, which aims to reduce transportation costs and boost speed.

Investment in infrastructure, particularly in logistics and transportation, is boosting growth and competitiveness for businesses. Improvements in road networks, rail, air, and water

transportation, and IT-based initiatives like the National Logistics Policy are enhancing corporate processes. India's rapid economic expansion and population growth have significantly strained its infrastructure, leading to frequent blackouts, inadequate roads, and clogged ports, and numerous projects, which have been on-going for decades, persisting.

5. Advanced Production

India needs to rapidly advance in production and employment due to global trends like urbanization, supply chain changes, digitalization, and increasing emphasis on sustainability, health, and safety. These trends could lead to 43 business possibilities that could sustain 112 million jobs and generate \$2.5 trillion in economic value by 2030. If Indian companies can capitalize on the changing preferences of Indians who are striving for a better quality of life, they might generate an estimated \$635 billion in economic value by 2030. Millions of good employment might be created in the service sector as a result of safer, better-quality urban settings, cleaner air and water, more convenience-based services, and more autonomous work in the new ideas-based economy. India has the chance, among other things, to implement a thorough planning strategy for its leading cities, which have low capital investment per person and are underproductive relative to their potential. By 2030, India could produce \$125 billion in economic value in the retail sector if it could develop digitally enabled supply chains and raise the percentage of contemporary trade and e-commerce to 20%.

Stronger social safety nets, more transportable benefits, and flexible labor markets are required. More adaptable labor markets are necessary for a more dynamic economy. India keeps imposing labor limitations on manufacturers, which promotes the survival of small businesses. The government can think about going over the many rules that are now in effect and looking into ways to increase labor-market flexibility. Reducing constraints on flexibility could be achieved by giving manufacturing firms greater latitude to adjust the number, makeup, and skill set of their workforces to meet changing demands.

6. Energy and infrastructure

The public-private partnership (PPP) model has gained significant attention and funding in the past decade. However, financial challenges, project halts, policy paralysis, and reduced market capacity have hindered its expansion. As of March 31, 2014, over \$100 billion worth of energy and infrastructure projects were on hold. The government should adopt transparent practices, improve interministerial coordination, and consider a "single window" clearance mechanism for energy and infrastructure sectors. This, along with improved regulatory environment and stable taxation systems, could increase investor trust. Rising global temperatures pose both risks and opportunities for businesses. The GoI aims for net zero by 2070, 45% reduction in carbon intensity by 2030, and 50% nonfossil fuel power generation

by 2030. This is supported by green hydrogen policies, ACC battery incentives, renewable energy tendering, and open access.

7. Financial Sector Reform

Reforms in the financial sector can assist India in meeting its \$2.4 trillion capital requirement. India can meet its investment needs through domestic capital by increasing household savings to 19% of GDP and increasing financial flows to 11% of GDP by 2030. Net foreign capital inflows and net foreign direct investment need to rise to 3% of GDP and 1.1% of GDP, respectively. Additionally, India needs to ensure a higher share of household financial savings flows to productive firms through a deeper capital market. The government's role in addressing risks and ensuring macro-economic stability has been emphasized due to recent pandemic and geo-political events. Prudent macro-economic management, including managing exchange rates, ensuring policy predictability, and de-risking the economy, will enhance India's ability to sustain high growth over time.

Conclusion

India's corporate leaders must set ambitious goals and increase productivity through innovative business concepts. To create long-term value, they must cultivate a performance-oriented culture and a long-term value creation mindset. Key characteristics include discontinuity-winning, operational excellence, automation, AI technologies, and customer-centric innovation, focusing on localization and next-generation ideas. Policymakers in India, including the RBI's inflation-targeting framework and fiscal consolidation, have improved business sentiment. The government's initiatives to upgrade ties, ease decision-making, develop infrastructure, and promote manufacturing are expected to foster a positive business environment.

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