

THE ESSENTIAL GROWTH SUTRAS

To move to a higher economic plane, India must fortify its human capital and harness emerging technologies to deliver all-round growth. Champion states need to be key drivers in that growth

- Amitabh Kant*

About ten years ago, India was seen as one of the 'Fragile Five' economies, with shaky macroeconomic fundamentals. Confidence in the economy was plummeting, and inflation spiralling. Even though the economy had been liberalised in the 90s, a web of regulations still existed, making India one of the toughest places to do business in. However, over the past decade, we have seen all of this change. India is now a 'bright spot' in the global economy, recording an 8.2% growth rate in FY24.

However, to become an economic superpower, we must sustain this 8% growth rate for the coming decades. Only then will our per-capita incomes increase from ~ USD 2,100 to ~ USD 18,000+ in three decades time, making us a high-income country. If we are unable to sustain these growth rates, we risk being stuck in a middle income trap. Investment rates will need to rise, along with domestic savings. Being a function of income, domestic income and savings will only rise with broad-based employment growth.

Improving Social Outcomes to Harness Demographic Dividend

India, with its demographic dividend and burgeoning young workforce, with an average age of 29 years, is home to one of the world's youngest workforce. However, we must improve our social outcomes to realise this dividend. Improving learning outcomes, especially at foundational levels is the critical step. Improving employability of graduates from technical and vocational education is another crucial step. Aligning curricula with industry needs, along with well-designed internship and apprenticeship programmes can help improve employability. Building on *Ayushman Bharat*, we must now target the 'missing middle' in India's health insurance. Primary health care must be strengthened to improve health outcomes. All these efforts in turn, will hinge critically on nutrition.

Leveraging Technology

Going ahead, digital technologies that are sector-agnostic are going to drive competitiveness. Emerging technologies such as AI, IoT, space, 6G, and quantum computing, amongst others have opened avenues to disrupt sectors such as agriculture, energy transition, defence, manufacturing, healthcare, life sciences and digital economy. India is also making strides in geospatial technology, defence, and drone technology. With a strong backbone through digital public infrastructure in place, we are well poised to capitalise. However, for India to be able to capitalise on these technologies, R&D expenditure must increase, both from the public and private sector. Globally, most R&D is done by the private sector, with the government playing an enabling role. To spur R&D by the private sector, the government announced a INR 1 lakh crore R&D fund, aiming to catalyse private investment and drive India's leadership in emerging tech. As technology

gives rise to new business models, regulators need to move in sync. A pro-innovation approach to regulation will drive innovation and growth.

Energy Transition

India cannot grow as countries have in the past by exploiting the environment. Our growth model must have sustainability at its core. The energy transition presents an opportunity for India to become energy independent and eventually, an exporter. Reaching our 2030 and net-zero targets requires a tripling of our current efforts in renewable capacity addition. Apart from expanding solar energy, we must also target harnessing our wind energy potential. Along with renewables, green hydrogen and energy storage, such as batteries and pumped storage, will be crucial in industrial and transport decarbonisation. As in the case of petrochemicals, India must target emerging as a mineral processing hub. The G20 Mineral Security Partnership (MSP) can be leveraged to establish raw material supply. Energy efficiency can contribute significantly to the energy transition. Currently, India's energy efficiency norms are lower than in other countries. As in the case of BS VI fuel, we must target leapfrogging in our energy efficiency norms.

Urbanisation

Growth is driven by cities and urban agglomerations. India's urban population is expected to rise to the tune of hundreds of millions in the coming decades. Through metros, we are building for the future. However, upgrading city infrastructure, in terms of waste management, traffic management, climate adaptation and resilience, and affordable housing, amongst others. Our cities are amongst the most polluted in the world, and without their clean up, we will not become an economic superpower. We must reform the governance of our cities.

Export Orientation

Central government investments in infrastructure have risen to 3.4% of GDP from a decade back and are lowering the cost of logistics. The focus must now shift to other cost disadvantages, the cost of doing business being a major one. States must now take the lead in implementing the reform agenda. Land, labour, and power remain important areas for reforms. We must aim to make India one of the easiest places to do business in.

Champion States as Drivers of Growth

India will only grow when States grow. States such as Uttar Pradesh, Bihar, Rajasthan, Odisha, Jharkhand, and Chhattisgarh, amongst others will have to grow much faster than the national average at rates of 10%+ to enable catch up growth and enable broad-based per-capita income growth. With much of the labour force in these states employed in agriculture, they must diversify their economies beyond agriculture. Enabling reforms, sustainable urbanisation, and a focus on improving socio-economic outcomes can yield multiplier impacts.

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