

THE TECH EDITION

BW BUSINESSWORLD

www.businessworld.in

SUBSCRIBER'S COPY NOT FOR RESALE | RNINO.39847/81 | 19 APRIL 2025

MOHIT
JOSHI, CEO
& MD, Tech
Mahindra

AMIT
CHADHA,
Managing
Director &
CEO, L&T
Technology
Services

DAISY
CHITTILAPILLY
President, Cisco
India & SAARC

AJAI
CHOWDHRY,
Founder, HCL
& Chairman,
Mission
Governing
Board, National
Quantum
Mission of India

SUNIL
GUPTA,
Co-founder,
MD and
CEO, Yotta

SRIDHAR VEMBU,
Co-founder and
Chief Scientist,
Zoho Corporation

AI, COMPUTE, COMPETE

India's **\$300 BILLION**
tech puzzle, spanning AI,
quantum computing &
inclusive innovation, awaits
the right policy push,
capital depth & scalability
to power the **\$5 TRILLION**
economic ambition



FROM TAKEOFF TO TURBULENCE: PERILS OF INDIA'S HALF-FINISHED REFORMS



The author is an economist and columnist

IMAGINE A MARATHON runner, navigating a course riddled with unexpected hurdles and detours. This encapsulates India's economic journey: a nation facing persistent structural obstacles, demanding continuous correction to realize its full

Stumbling Forward: Three decades ago, India embarked on market-driven reforms, compelled by a crisis. Today, as the world's fifth-largest economy, the challenge is sustaining high growth while overcoming systemic inefficiencies. While GDP growth has averaged 6-7 per cent in recent years, this pace is insufficient to propel India into the league of developed nations. The risk is real and clear: stagnation in the middle-income trap.

India, with its vibrant democracy, offers stability and resilience. Its large and dynamic market, fuelled by a robust consumer class, presents significant opportunities. Notably, the economy demonstrates substantial resilience to global economic shocks, largely attributed to its insulated market structure where domestic consumption constitutes approximately two-thirds of economic activity.

Moreover, India's youthful population and expanding workforce, often cited as a demographic dividend, drive innovation, entrepreneurship, and growth. Signifi-

cant strides in digital and physical infrastructure further solidify its position as a global economic powerhouse.

While India's economic expansion is undeniable, its full potential remains hindered by persistent structural inefficiencies. Regulatory bottlenecks, inconsistent policy execution, and underinvestment in human capital impede its ascent. Unlike many large economies that leverage scale for efficiency, India's growth has decelerated following initial liberalization. These challenges stem from a confluence of factors: outdated and capacity gaps across institutions, regulatory bottlenecks, energy sapping and value subtracting framework, and weak contract enforcement. Urgent education and labour reforms are essential to transform India's demographic advantage into economic strength. Without a skilled and adaptable workforce, its numbers are inconsequential.

Reform inertia, driven by political expediency, is the underlying culprit. The deceleration of economic growth in maturing economies is a recognized phenomenon, attributable to variables such as market saturation, demographic trends, regulatory impediments, and susceptibility to exogenous shocks. However, India's situation is distinct, and a problem of its own making.

India faces an unprecedented risk: its demographic peak, projected to occur before achieving a critically low \$3,500 per capita income – a phenomenon virtually unparalleled globally. This signals a significant slowdown in economic expansion by 2035, threatening to condemn India to the entrenched bottom quartile of the middle-middle-income (per capita of less than \$7000) stagnation.

Why India's Growth Model is Stalling: India's economic trajectory hinges on a delicate balance between incremental improvements and systemic reforms. While policy pronouncements garner attention, the true levers of growth lie in the meticulous refinement of operational processes. Streamlining compliance, digitizing governance, and mitigating bureaucratic friction



present quantifiable opportunities for economic expansion. Progress in areas like digital payments and tax filing is commendable, yet persistent obstacles, notably land acquisition and regulatory complexities, continue to impede progress.

These incremental advancements, while providing momentum, are insufficient to propel India towards developed economy status. A paradigm shift is necessary, demanding radical and comprehensive reforms. India's unique economic profile, characterized by a low per capita income juxtaposed with a high growth potential, necessitates decisive action. Radical structural reforms, akin to the farm Bill's intent to transition agricultural labour, are essential. Similarly, substantive, reforms, beyond superficial support, are critical for fostering the MSME sector. To enhance competitiveness, create jobs and attract investment, labour laws must be streamlined, land records digitized, and logistics modernized. The ongoing export decline and insuffi-



Photograph by Indiapicturebudget

cient capital investment highlight the competitive disadvantage stemming from these structural inefficiencies.

This demands immediate policy intervention. Regulatory stability emerges as a paramount concern. The adventurism of political parties, particularly the use of freebies for votes, creates significant investor nervousness and demands immediate policy intervention. To counter this, regulatory stability is paramount. Frequent policy reversals and unpredictable regulatory interventions create an environment of uncertainty, discouraging capital. Establishing independent regulatory bodies, ensuring predictable policy frameworks, and prioritizing structural reforms over short-term populist measures are essential for investor confidence. Tax predictability, achieved through consistent fiscal policies, and swift dispute resolution via reduced legal backlogs are equally vital. Labour market modernization, incentivizing formal employment, further complements these measures.

The Hesitating Giant: Decentralization of power is the linchpin of India's transformative agenda. Excessive centralization stifles industry, particularly MSMEs, hindering agility and responsiveness.

However, decentralization must be coupled with robust institutional capacity building. Creating strong local institutions capable of managing resources, enforcing regulations, and supporting businesses is crucial for effective devolution and sustainable growth.

India's demographic dividend is fleeting. China's slowdown offers a window to capture global supply chains. Human capital investment is vital. Education must shift to analytical thinking and industry-relevant skills. Vocational training and healthcare investments are crucial. Rural broadband, tech innovation, and regional development with skilled infrastructure are essential.

Ultimately, India's economic future hinges on the political will to implement these necessary reforms. The data reveals a critical choice: sustained, inclusive growth through decisive structural change, or a descent into mediocrity defined by inefficiency and political expedience. The coming decade will reveal whether India capitalizes on its potential, or allows inertia to dictate its future.

The data reveals a critical choice: sustained, inclusive growth through decisive structural change, or a descent into mediocrity defined by inefficiency and political expedience.

Growth Without Guts: The risk is not an economic crisis but something potentially worse: stagnation. Slower growth, dwindling job creation, and unrealized potential would cement India's position as a nation of great promise but limited achievement.

India possesses the tools; it now requires the will. The data suggests an inflection point: sustained, inclusive growth through decisive structural change, or a trajectory of mediocrity defined by inefficiency and political expedience. The coming decade will reveal whether India capitalizes on its potential, or allows inertia to dictate its future. The choice, ultimately, rests on the political courage to implement necessary reforms. 