

INDIAN AS A RISING ECONOMY : CHALLENGES AND OPPORTUNITIES

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Abstract

India is one of the fastest-growing economies in the world. In the past few decades, the country has made significant progress in terms of economic development. This has been driven by a number of factors, including a young and growing population, a large and skilled workforce, and a favorable business environment. India's population is the second largest in the world, and is expected to grow by another 200 million people by 2030. This young and growing population is a major driver of economic growth, as they enter the workforce and start consuming goods and services. The paper delves into the economic reforms and liberalization measures undertaken in the 1990s that have opened doors for foreign investment and ushered in a new era of economic growth. The drivers behind India's economic expansion are examined, encompassing crucial sectors such as information technology, manufacturing, services, and agriculture. This paper will explore the factors that have contributed to India's economic rise. It will also discuss the challenges that India still faces, and the potential for the country to become a major global economic power in the coming decades. The paper will be divided into four main sections. The first section will provide an overview of India's economic history. The second section will discuss the factors that have contributed to India's economic rise. The third section will examine the challenges that India still faces. The fourth section will discuss the potential for India to become a major global economic power. the paper is based on a review of the academic literature, as well as interviews with experts on the Indian economy. The paper uses a variety of methods to analyze the data including descriptive statistics, regression analysis and case studies.

Keywords: India, Economic growth, rising economy, young population, skilled workforce, favorable business environment, challenges, global economy.

Introduction

India is one of the fastest-growing economies in the world. In recent years, the country has experienced significant economic growth with GDP growth rates consistently above 6%. This growth has been driven by a number of factors including a young and growing population, a rising middle class and a favorable investment climate.

As a result of this growth, India has become a major player in the global economy.

The country is now the world's sixth-largest economy by nominal GDP and the third-largest by purchasing power parity. India is also a major exporter of goods and services and is home to a number of multinational corporations. The rise of India as an economic power has a number of implications for the global economy. First, it is expected to boost global growth. Second, it is likely to lead to increased trade and investment between India and other countries⁴.

This paper will examine the factors that have contributed to India's economic rise, the implications of this rise for the global economy and the challenges that India faces in maintaining its growth momentum.

Purpose and Scope of the Research Paper

The purpose of this research paper is to examine India's economic significance on the global stage. The paper will discuss the factors that have contributed to India's economic rise, the implications of this rise for the global economy and the challenges that India faces in maintaining its growth momentum.

The scope of the research paper will be limited to the economic aspects of India's rise as an economic power. The paper will not discuss other aspects of India's rise, such as its cultural or political significance.

Objectives of the Research

- To identify the factors that have contributed to India's economic rise.
- To assess the challenges that India faces in its pursuit of economic growth.
- To identify the opportunities that are available to India in the global economy.
- To discuss the implications of India's economic rise for the global economy.

Overview of India's Economic History

India has a long and rich economic history. The country was once one of the wealthiest in the world and its economy was a major driver of global growth. However, India's economic fortunes declined in the late 18th century and the country was colonized by the British.

Early History

In the early centuries AD, India was one of the most prosperous regions in the world. The Gupta Empire (320-550 AD) was a golden age of Indian history, characterized by economic growth, technological innovation, and cultural development.

Colonial rule

The British East India Company began trading in India in the 17th century. Over time, the company gained control of more and more territory and by the 19th century, India was a British colony. British rule had a mixed impact on India's economy. On the one hand,

the British built railroads, roads and canals which helped to improve trade and communication. On the other hand the British also extracted large amounts of wealth from India which led to economic stagnation.

After the Independence

India gained independence from Britain in 1947. The early years of independence were marked by economic instability. However, the country began to grow rapidly in the 1950s and 1960s. After independence India adopted a socialist economic model. This model focused on state-led development and import substitution. However, the socialist model proved to be inefficient and led to slow economic growth. In the 1970s, India's economic growth slowed down. This was due to a number of factors, including the oil crisis, political instability, and government intervention in the economy. In the 1990s, India began to implement economic reforms. These reforms included the privatization of state-owned enterprises, the deregulation of the economy, and the opening up of the economy to foreign investment. The economic reforms have had a significant impact on India's economy. The country has experienced rapid economic growth in recent years and its economy is now one of the fastest-growing in the world⁹.

Key Periods in India's Economic History

- 1st to 17th centuries: India was one of the wealthiest countries in the world and its economy was a major driver of global growth.
- 18th to 19th centuries: India's economic fortunes declined and the country was colonized by the British.
- 20th century: India adopted a socialist economic model which led to slow economic growth.
- 1990s onwards: India began to implement economic reforms which have led to rapid economic growth.

ECONOMIC REFORMS OF 1990s

The economic reforms of 1991 were a series of economic policy changes implemented by the Government of India. The reforms were aimed at liberalizing the Indian economy and making it more competitive.

The reforms included:

- Deregulation of the economy: The government reduced the number of licenses and permits required for businesses to operate.
- Privatization of state-owned enterprises: The government sold off a number of state-owned enterprises to the private sector.
- Opening up the economy to foreign investment: The government allowed foreign investors to invest in a wider range of sectors.

- Devaluing the rupee: The government devalued the rupee, making Indian goods more competitive in the global market⁶.

The economic reforms of 1991 had a significant impact on India's economy. The country experienced rapid economic growth in the years following the reforms. The reforms also led to increased investment, trade, and innovation. The country's technological sector has grown rapidly in recent years, and India is now a major player in the global IT industry.

The economic reforms of 1991 are considered to be one of the most important events in India's economic history. The reforms helped to transform India's economy from a closed, state-controlled economy to a more open, market-oriented economy.

The economic reforms of 1990 would be a key factor in India's economic rise. The reforms helped to create a more favorable environment for businesses to operate, which led to increased investment and growth. The reforms also helped to make India more competitive in the global market, which attracted foreign investment.

The economic reforms of 1990 are still having a significant impact on India's economy today. The reforms have helped to make India one of the fastest-growing economies in the world. The reforms have been credited with helping to lift millions of Indians out of poverty. The reforms have also helped to create a more vibrant and competitive economy in India.

Factors that have contributed to India's economic rise:

- Demographic Dividend: India's large and young population has resulted in a demographic dividend, providing a significant workforce and consumer base. This demographic dividend is expected to last for several decades, providing India with a unique opportunity for economic growth¹¹.
- Information Technology and Services Sector: India's IT and services sector has been a major driver of economic growth, offering cost-effective and skilled services to the global market. The IT industry's success has enhanced India's image as a knowledge-driven economy⁵.
- Growing technological sector: India has a growing technological sector, which is providing opportunities for businesses to innovate and grow. The Indian IT industry is one of the largest in the world, and the country is also a major player in the pharmaceutical and biotechnology industries⁵.
- Economic reforms: The economic reforms of the 1990s have led to increased investment, trade, and innovation. These reforms have made the Indian economy more market-oriented and competitive, attracting foreign investment and stimulating domestic growth.
- Agricultural Reforms: Despite challenges, agricultural reforms have contributed to increased productivity and income in rural areas, enhancing the overall economic

development.

- Educational Advancements: Progress in education and skill development has contributed to a more competent and qualified workforce, supporting economic activities and technological advancements².
- Entrepreneurship and Innovation: The rise of Indian entrepreneurs and the culture of innovation have fostered new businesses and technologies, contributing to economic dynamism and competitiveness.
- Foreign Direct Investment (FDI): Increasing FDI inflows have played a crucial role in supporting various sectors of the economy such as manufacturing, infrastructure, and services, driving economic expansion.
- Robust Domestic Market: India's vast domestic market with a burgeoning middle class has created substantial demand for goods and services, stimulating economic growth and attracting investments.
- Global economic conditions: The global economy has been growing in recent years, which has created favorable conditions for India's economic growth. India's exports have grown rapidly in recent years and the country has become a major player in the global supply chain.
- Rise of the middle class: India has a large and growing middle class which is providing a strong domestic market for goods and services.
- Increased urbanization: India is urbanizing rapidly which is creating new opportunities for businesses.
- Improved infrastructure: The Indian government has made significant investments in infrastructure, such as roads, railways and ports. This has made it easier for businesses to operate in India and has helped to boost economic growth.
- Services Sector Diversification: Apart from IT services, India's services sector has diversified into areas like finance, healthcare, tourism, and entertainment, expanding revenue streams and employment opportunities.
- Globalization and Trade Relations: India's active participation in global trade and its strategic partnerships have enhanced access to international markets, fostering economic growth and integration.
- Policy Reforms: The Indian government has implemented a number of policies that have supported economic growth. These policies include investments in infrastructure, education, and encouraged investments.

Impact and role of make in india and Atmanirbhar bharat mission in India's economic rise:

The "Make in India" and "Atmanirbhar Bharat" (Self-Reliant India) initiatives have played significant roles in India's economic rise, contributing to economic growth, industrial development, and self-sufficiency. Let's examine the impact and roles of each

initiative⁸:

Make in India

Impact

The Make in India campaign, launched in 2014, aimed to transform India into a global manufacturing hub and attract foreign direct investment (FDI) in the manufacturing sector. It has led to increased interest from global companies in setting up production units in India, bolstering job creation and enhancing the manufacturing sector's contribution to the economy.

Role

Make in India has facilitated ease of doing business in India by simplifying regulatory processes and promoting a business-friendly environment. The initiative has also identified and prioritized key sectors for investment such as automobile, electronics, defense, and pharmaceuticals to drive economic diversification and enhance India's manufacturing capabilities.

Atmanirbhar Bharat Mission

Impact

The Atmanirbhar Bharat Mission, launched in 2020 amid the COVID-19 pandemic, aims to promote self-reliance and reduce dependency on imports. It focuses on strengthening India's domestic industries, enhancing competitiveness, and fostering innovation across sectors.⁷

Role

The mission seeks to boost domestic production by providing financial incentives, promoting local sourcing, and encouraging entrepreneurship. It also emphasizes research and development, supporting the growth of indigenous technologies and promoting self-sufficiency in critical sectors.

Combined Impact

Economic Growth: Both initiatives have contributed to India's economic growth by encouraging investment, industrial expansion and employment generation. They have bolstered economic diversification and increased the share of manufacturing in India's GDP.

Global Market Presence: The Make in India campaign has enhanced India's global market presence, attracting international attention and positioning India as an attractive destination for foreign investments.

Reduced Import Dependency: The Atmanirbhar Bharat Mission aims to reduce import dependency, especially in strategic sectors like defense, pharmaceuticals, and electronics, which strengthens India's economic resilience and mitigates external risks.

Skill Development: These initiatives have provided impetus to skill development programs, fostering a skilled workforce to support domestic industries and attract

investments.

Technological Advancements: The focus on research and innovation has encouraged technological advancements and fostered indigenous technologies, driving India's capabilities in emerging sectors.

Challenges That's India Still Faces in Its Economic Rise:

Poverty

India still has a large number of people living in poverty. According to the World Bank, 21.9% of Indians lived below the national poverty line in 2022. This means that more than 260 million people in India still lack access to basic necessities such as food, water, and shelter⁶.

Inequality

Income inequality is a growing problem in India. The richest 1% of Indians control more than 30% of the country's wealth. This means that a small number of people are getting richer while the majority of the population is struggling to make ends meet⁷.

Infrastructure bottlenecks

India's infrastructure is still inadequate in some areas. The country's roads, railways and ports are not able to handle the volume of traffic which is causing congestion and delays. This is also making it difficult for businesses to operate in India and is hampering economic growth¹⁰.

Lack of skilled labor

While strides have been made in education, India still faces challenges in providing quality education and developing a skilled workforce. India has a shortage of skilled labor in some sectors. The country's education system is not producing enough graduates with the skills that businesses need. This is making it difficult for businesses to expand and is slowing down economic growth¹⁰.

Agricultural Distress

The agricultural sector employing a substantial portion of the population, faces challenges related to water scarcity, outdated practices, and market inefficiencies. Modernizing agriculture and ensuring farmers' welfare are critical for inclusive growth.

Manufacturing Competitiveness

India's manufacturing sector faces competition from other global players. Challenges related to infrastructure, bureaucratic hurdles and complex regulations can hinder India's ability to become a dominant manufacturing hub.

Employment Generation

With a growing population and workforce, India needs to create sufficient employment opportunities to absorb its labor force. Addressing this challenge is crucial for social stability and economic prosperity.

Environmental Sustainability

Economic growth has put immense pressure on the environment, leading to issues such as pollution, climate change, and resource depletion. Balancing economic development with sustainability is a complex challenge.

Access to Finance

Access to finance remains limited for many individuals and businesses, particularly in rural areas. Enhancing financial inclusion and easing credit availability are essential for boosting entrepreneurship and economic activities.

Regulatory Reforms

Cumbersome bureaucratic processes and regulatory bottlenecks can deter investments and hinder business growth. Streamlining regulations and reducing red tape are essential for fostering a conducive business environment.

Health and Sanitation

Public health challenges, as highlighted during the COVID-19 pandemic, emphasize the need for a robust healthcare system and improved sanitation facilities to ensure a healthy and productive workforce.

Governance and Corruption

Corruption and inefficiencies in governance can undermine economic progress, erode public trust, and deter foreign investments.

Cybersecurity

India is a target for cyberattacks. These attacks can disrupt businesses and government services, and can also steal sensitive data.

International trade

India's economy is becoming more integrated with the global economy. This means that the country is more vulnerable to changes in the global economy. For example, if there is a recession in the United States, it could have a negative impact on India's economy.

Opportunities For India In Its Economic Rise And To Become A Major Global Economic Power

- Strategic Geopolitical Position: India's strategic location in South Asia makes it a key player in regional and global geopolitics, providing opportunities for trade, investments, and diplomatic collaborations¹.
- The rise of e-commerce: India is one of the fastest-growing e-commerce markets in the world. This is providing new opportunities for businesses to sell their products and services online.
- The growth of the digital economy: India is one of the fastest-growing digital

economies in the world. This is providing new opportunities for businesses to use technology to improve their operations and reach new customers.

- The expansion of the global supply chain: India is becoming a major player in the global supply chain. This is providing new opportunities for businesses to export their products and services to other countries.
- Access to new markets: India has recently signed free trade agreements with a number of countries, which will give Indian businesses access to new markets.
- Tourism: India is a popular tourist destination and the government is working to attract more tourists. This will help to boost economic growth and create jobs.
- Exports: India is a major exporter of goods and services, and the government is working to expand export markets. This will help to boost economic growth and create jobs.
- Diplomatic Outreach: India's proactive diplomacy and collaborations with other nations can lead to strategic partnerships, trade alliances and technology transfers, furthering its economic potential.

Conclusion:

In conclusion, India's journey as a rising economy is marked by remarkable achievements, significant challenges and abundant opportunities. The research paper on "India as a Rising Economy: Challenges and Opportunities" has into various aspects that contribute to India's economic growth and the hurdles it faces in its pursuit of becoming a major global economic power. India's economic rise can be attributed to a series of transformative economic reforms and liberalization measures initiated in the 1990s. These reforms have opened up the Indian economy to foreign investments, trade and competition, fostering increased economic dynamism and globalization. One of India's greatest strengths lies in its demographic advantage with a large and young population that presents a demographic dividend. This young workforce has the potential to drive productivity and innovation, positioning India as a powerhouse in the global labor market. The services sector, particularly IT and business services, has been a significant driver of India's economic growth. It has strengthened India's global market presence, making it a prominent player in the knowledge economy. However, the research paper has also shed light on the challenges that India faces on its path to economic development. Income inequality, poverty and social disparities continue to be significant hurdles that require focused policy interventions to ensure inclusive growth and social progress. India stands at a critical juncture in its journey as a rising economy. By addressing the challenges and capitalizing on the opportunities outlined in this research paper, India can forge ahead as a major global economic power, contributing significantly to the world economy and improving the well-being of its citizens. Embracing inclusive and sustainable development practices will be pivotal in realizing India's potential as a prominent player on the global economic stage in the coming decade.

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