

Panel Briefing

The Elephant Moves: #TheIndiaDialog 2024
Institute for Competitiveness | US-Asia Technology Management Center,
Stanford University

"Insights into India's Performance and Outlook "

Introduction

The panel discussion was on 'Insights into India's Performance and Outlook'. The panel was moderated by **Christian Ketels**, Senior Advisor, Stockholm School of Economics, with esteemed speakers including **Nirvikar Singh**, Co-Director, Centre for Analytical Finance, UC Santa Cruz; **Sanjeev Sanyal**, Member, EAC-PM, Government of India; **Indira Iyer**, Research Professor for International Affairs, George Washington University; and **Kevin Stolarick**, Dean, Curtner Urban Leadership Program, Urban Land Institute, commenced the panel discussion with an emphasis on India's economic momentum by highlighting its impressive economic growth trajectory.

Macroeconomic Stability and Reforms

As the panel convened, the focus turned towards India's macroeconomic stability and ongoing reforms, set against the backdrop of formidable global economic challenges. With India's recent GDP growth rate standing impressively at 8.8% year-on-year for the October to December quarter and an anticipated growth rate of 7.6-7.7% for the fiscal year, it's evident that India ranks among the fastest-growing economies worldwide. However, the panel emphasised a crucial point: sustaining this growth demands a relentless pursuit of structural reforms and policy initiatives. Instead of viewing growth as inevitable, the panel underscored the imperative for India to actively earn its economic expansion through continuous reform efforts. The discussion then pivoted towards elucidating the three foundational pillars guiding India's economic policy: macroeconomic stability, supply-side reforms, and support for the bottom of the pyramid. Beginning with macroeconomic stability, the panel highlighted India's prudent approach, even amidst challenging times like the COVID-19 pandemic. Through strategies such as inflation targeting and the meticulous overhaul of the banking system, India has made commendable strides in fortifying its macroeconomic fundamentals. Notably, the surge in foreign exchange reserves and the resilience exhibited by India's banking sector served as tangible markers of this stability.

Shifting gears, the panel delved into the realm of supply-side reforms, spotlighting the government's concerted efforts towards bolstering infrastructure and enhancing the business environment. They emphasised the crucial role that both public and private sector investments play in accelerating economic growth, particularly in industries like manufacturing and services. The panellists also noted a discernible uptick in private investment, signalling a burgeoning confidence in India's economic trajectory.

Furthermore, the panel emphasised the imperative of supporting the bottom of the pyramid through targeted interventions and welfare schemes. They articulated the government's unwavering commitment to inclusive growth and poverty alleviation, citing initiatives such as

direct benefit transfers and housing schemes tailored for the underprivileged. Despite acknowledging the presence of wealth in India's upper echelons, the panel stressed the paramount importance of ensuring equitable distribution of growth dividends across all segments of society.

In dissecting the factors underpinning India's rapid economic ascent, the panel accorded significant weight to domestic investment, coupled with robust government spending on infrastructure and active participation from the private sector. Sectors like manufacturing, services, and construction were identified as key drivers of India's economic expansion.

Fiscal Management and Digital Reforms

The panel further discussed India's fiscal management reforms, particularly highlighting the digital transformation in taxation and expenditure. Initiatives like the Faceless Assessment Scheme for direct taxes and the Goods and Services Tax (GST) regime were highlighted for streamlining tax compliance and enhancing revenue collection. The discussion extended to innovations in expenditure management and leveraging technology for efficient fund allocation and monitoring. India's efforts to enhance fiscal transparency and efficiency through initiatives such as just-in-time funding and integrated databases for social entitlement schemes were highlighted.

The panel began by highlighting India's significant strides in fiscal management reforms, often overshadowed by discussions of other challenges. They emphasised the pivotal role of technology in driving accountability and efficiency across various levels of governance, setting the stage for a detailed exploration of taxation and expenditure reforms. In discussing taxation reforms, the panellists focused on game-changing initiatives such as the Faceless Assessment Scheme for direct taxes and the implementation of the Goods and Services Tax (GST) regime. These reforms were lauded for their ability to streamline tax compliance, enhance revenue collection, and reduce governance issues. The panellists underscored the revolutionary impact of these reforms, which have transformed India's tax administration landscape, fostering greater efficiency and transparency. Whereas on expenditure management, the panellists addressed historical challenges in tracking government spending and highlighted the innovative solutions adopted to overcome these hurdles. Digital solutions such as just-in-time funding and integrated databases for social entitlement schemes were showcased as examples of how technology is enhancing the efficiency and transparency of expenditure processes.

The panellists emphasised India's commitment to fiscal prudence and efficient resource utilisation to achieve developmental goals, attributing the substantial increase in the number of taxpayers and tax collections to the implementation of digital technologies and streamlined processes. Furthermore, they highlighted the role of cooperative federalism in driving these reforms, underscoring successful collaborations between the central and state governments. In addressing expenditure efficiency, the panellists highlighted the transformative impact of digital innovations in ensuring the effective delivery of social entitlements and public services. Initiatives like the Kutumba scheme in Karnataka exemplify how technology is leveraged to target benefits to beneficiaries and enhance the reach and impact of welfare programmes. Despite acknowledging the heterogeneity across states in driving these reforms, the panellists emphasised the overall momentum towards leveraging digital means to expand the fiscal envelope and improve governance outcomes. They concluded by reiterating the pivotal role of technology in driving India's fiscal management reforms and achieving sustainable and inclusive growth, setting a strong foundation for future discussions on the subject. Overall, the pivotal role of technology in driving India's fiscal management reforms and achieving sustainable and inclusive growth was underscored.

Green Transition and Digital Innovation

Transitioning from the discussion on green transition and digital innovation to the imperative for aggressive action in accelerating the adoption of electric vehicles (EVs) and advocating for a robust industrial policy framework, the panel delved deeper into India's strategic approach towards achieving sustainability goals while driving economic growth.

Building upon the transformative potential of renewable energy and artificial intelligence (AI) in reshaping industries and propelling the transition towards a low-carbon economy, the panellists emphasised the urgency of scaling up investments in solar energy infrastructure. This includes a bold stance on solar panel production, leveraging India's abundant solar resources to establish a leadership position in renewable energy production, manufacturing, and innovation. Despite China's dominance in the global market, the panellists stressed the importance of India's aggressive pursuit of solar energy, emphasising the need to overcome existing barriers and accelerate adoption. In the discussion on electric vehicles, the panellists highlighted the pivotal role of EVs in achieving carbon emission reduction targets within the transportation sector. Advocating for targeted incentives and supportive policies to drive domestic manufacturing and adoption of EVs, they stressed India's potential to emerge as a key player in the global electric vehicle market, driving innovation and job creation while reducing dependence on fossil fuels.

In advocating for a robust industrial policy framework, the panellists emphasised the importance of targeted incentives and regulatory measures to support Indian firms' participation in key sectors such as solar panel and electric vehicle production. Aligning industrial policy with sustainability objectives, they underscored the need for strategic interventions to address market failures and facilitate technology transfer and skill development, countering China's dominance in these sectors. Lastly, the panellists highlighted the significance of openness to new technologies and ideas in fostering innovation and driving the green transition. Emphasising the importance of international collaborations and knowledge exchange, they underscored India's opportunity to leverage global expertise and best practices to accelerate progress towards a sustainable, low-carbon future while also enhancing competitiveness in the face of China's advancements in green technology.

Balanced and Inclusive Urbanization for Sustainable Growth

The panellists delved into the intricate dynamics of urbanisation, particularly comparing the rates and approaches in India and China. They shed light on the fact that while China has experienced a more rapid pace of urbanisation, with over two-thirds of its population residing in urban areas compared to just over one-third in India, the latter is still grappling with the challenges of transitioning its population to urban centres at a slower rate. The term "Jugaad" urbanisation emerged in the discourse, depicting India's knack for improvisation and adaptation in urban development, albeit often in an informal and makeshift manner. Despite its functionality, this approach poses challenges, particularly in the context of rapid urbanisation, where the risk of creating slums and perpetuating poverty looms large. The panel underscored the critical need for infrastructure development to keep pace with urban growth, stressing not only physical infrastructure like transportation and healthcare but also social infrastructure such as education, markets, and community spaces to foster inclusive urban environments. Moreover, the discussion emphasised the importance of inclusivity in urban development, advocating for the active engagement of diverse societal segments to ensure that the benefits of urbanisation are accessible to all. In addition, the panel highlighted the necessity of balancing urban development with support

for rural areas, particularly in agriculture, to prevent the marginalisation of rural communities and ensure equitable progress across regions. By calling for a holistic approach to urbanisation that prioritises sustainability, inclusivity, and equitable growth, the discourse envisioned a future where Indian cities serve as vibrant hubs of economic prosperity and social well-being while maintaining harmony with their rural counterparts, thus driving the nation towards comprehensive and sustainable development.

The panellists underscored India's remarkable economic progress, driven by a blend of macroeconomic stability, fiscal reforms, and strategic investments in green and digital infrastructure. As India navigates global uncertainties and embarks on its green transition journey, proactive policies and concerted efforts are essential to harnessing its immense growth potential. The panel also emphasised the necessity of adopting a holistic approach to urban development—one that prioritises sustainability, inclusivity, and equitable growth. By addressing the multifaceted challenges of urbanisation and advocating for comprehensive infrastructure development and inclusive practices, the discourse envisions a future where cities in India can realise their full potential as engines of economic prosperity and social progress. Simultaneously, it underscores the importance of ensuring that rural communities thrive and contribute meaningfully to the nation's development journey. Overall, it was noted that through collaborative efforts and innovative strategies, India can position itself as a global leader in sustainable and inclusive growth, driving prosperity for its citizens and contributing to the global economy.