

Invest more in R&D to keep India No. 1

The observation in a study by Harvard University that India could be the growth pole, growing at 7.7 per cent till 2025, comes as little surprise. For over a year, India had been the fastest growing economy, second only to China. This has now changed. With China's economy slowing, India has edged China out of the number one position. China has taken a pause after its breathtaking double-digit growth for several years, and its leaders are trying to cool the economy. Its scorching investment pace in real estate created a housing bubble, and its infrastructure investments led to an oversupply, with investments getting stuck. Lucky for China, its Communist Party bosses know their survival depends on the economy's success, so they are taking correctional steps. Moody's too, while downgrading China's rating for May, said its growth is expected to be strong.

The tailwinds for India are very favourable for sustained growth, with the devastating impact of demonetisation behind us and the Goods and Services Tax yet to reveal its full impact. The economy is set to get a push from a favourable monsoon, increased expenditure on infrastructure development, growth of the real estate sector, consistent consumption

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demand and private investment finally coming in. India's growth will also get support from global economies that are picking up pace after the slowdown. This supports exports from countries like India and other emerging economies. India's exports have seen an uptick too as exporters have learnt to diversify into several sophisticated and complex areas like chemicals, vehicles and some electronics. This is a significant shift from the purely traditional exports like textiles, leather and tea. Exports form a vital push for growth as goods are needed both for exports and domestic consumption. Interestingly, industrial output for April grew by 3.1 per cent, up from 2.8 per cent in the earlier four months, according to one report, fuelled by

the government's push to infrastructure and intermediate goods.

Prime Minister Narendra Modi's various programmes to push economic growth and entrepreneurship through "Make in India" and "Stand Up India" have given a further impetus to growth and employment. Even the perception of jobless growth has proved wrong as a new study shows there has been growth with employment. One of the most significant factors of the PM's growth impulse is the Skilling India programme. This will further help India's workforce to expand its capabilities into new products and more complex products needed by the importing countries. India of course needs to spend more on research and development. Its expenditure on this is far lower than China; and the government and the private sector must recognise this if India is to maintain its number one position. As the saying goes: uneasy lies the head that wears the crown!