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Emerging Power: India's Economic Growth and Socio-political Challenges

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ABSTRACT

This paper examines India's emergence as a significant global power in the contemporary world, driven by its large population, economic growth, and increasing land-based dominance. It highlights the country's strong performance in the information technology (IT) sector, boosted by digital transformation initiatives and significant foreign direct investment (FDI) from major tech companies such as Apple, Google, and Amazon. Despite these advances, India faces a number of challenges that threaten its socio-economic development. Some of the major problems include severe inequalities in education, particularly in rural areas where many children lack basic literacy and mathematical skills, public health concerns, and low participation of women in the labour force. Environmental destruction is another significant challenge, with Indian cities being among the most polluted in the world, with major rivers under severe stress from excessive extraction and waste dumping. In addition, the paper discusses concerns regarding democratic decline and growing ethnic tensions, particularly in relation to the current political context. These factors contribute to a complex socio-political environment that could hinder India's potential.

Keywords: Emerging Power, Economic Growth, Environmental Challenges, Political Stability, Social Inequality

Introduction

India is being recognized as an emerging global power, due to its large population and increasing economic growth and influence on international relations. With growing geopolitical ambitions, India is poised to play a key role in shaping the future global order. India has a rich history, having been one of the world's oldest civilizations, which has made extensive contributions to international culture, philosophy, and trade. After independence in 1947, India pursued a non-alignment foreign policy focused on self-reliance and development. Since the beginning of economic liberalization in the early 1990s, India has experienced strong economic growth, and it has emerged as one of the major fast-growing economies. The country is now the world's fifth-largest economy in terms of purchasing power equivalent, comprising agriculture, manufacturing, and a rapidly growing service sector, especially information technology. It is widely projected that by 2030 it will be behind only China and the United States. With the rising average age of India's population of nearly 1.4 billion and a young demographic, the new positive factors could prove to be very helpful in furthering the country's economic growth and innovation. The demographic dividend of the workforce can contribute to various sectors such as technology, healthcare, and disciplined education. India has become a much needed national strategic face in South Asia. With India's growing economic cooperation, India needs to be focused and paid more attention to challenges that threaten its socio-economic development.

Review of Literature

The study by **Ms. D. Ashwini** and **Mrs. K. Kavitha** "INNOVATION NATION: INDIA'S ECONOMIC RENAISSANCE IN THE 21ST CENTURY" highlights that India has undergone an economic renaissance in the 21st century, driven by a vibrant spirit of innovation. This transformation has resulted from a number of key factors, but this study analyses the strategic management practices that have contributed to this transformation. It also looks at India's history and highlights the challenges the country has faced and the significant changes that have taken place over the last few decades. The focus is primarily on innovation, which has become a key issue in India's development. The study shows that India has become a hub of innovation globally.

S. Rakshith in his paper "THE PIVOTAL ROLE OF TECHNOLOGY IN INDIAN ECONOMIC GROWTH" examines the critical role of technology in taking India's economy towards \$5 trillion, the advent of Digital India, the adoption of Industry 4.0, growth in AgTech, and the vibrant start-up torchbearer mechanism. India, on the dots of tradition and modernity, has the ability to skip traditional stages of development in favour of trained teachers. The study analyses the transformational impacts of technology on India's economic landscape and highlights key outcomes related to Digital India, Industry 4.0, AgTech and the start-up sectors. Despite these successes, digital regulation and cybersecurity issues highlight the need for comprehensive policies that encourage inclusive, secure and sustainable benefits. The study emphasises the importance of working together between policymakers, industry stakeholders and society to fully leverage the potential of technology in achieving India's goal of a \$5 trillion economy.

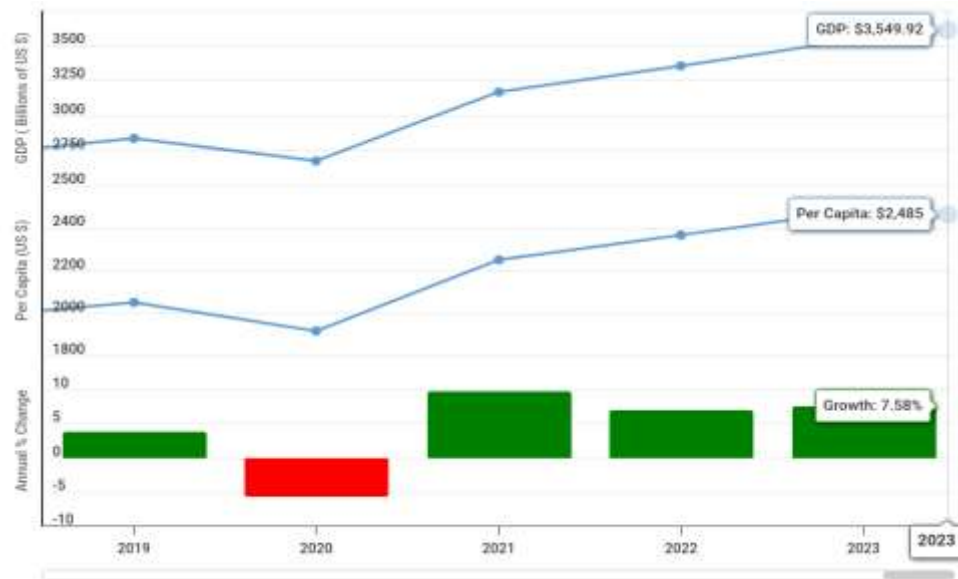
Saviotony P Ruzario, Rohan Sagar, in their paper “**INFRASTRUCTURE DEVELOPMENT AND ECONOMIC GROWTH IN INDIA**” provides A critical analysis concerning the relationship between infrastructure development and economic growth in India, an economy with a rapidly growing population and vibrant market opportunities. India has long suffered from wide disparities in infrastructure, with much of the countryside lacking adequate development. However, government initiatives and foreign investment have recently led to a number of infrastructure projects, including transportation systems and energy facilities. In theory, strong infrastructure can boost productivity, reduce transaction costs, make trade easier and attract domestic and foreign investments, thereby boosting economic growth. However, this relationship is complex as limitations in public financing, bureaucratic delays, environmental problems and inconsistencies in the quality of infrastructure across different sectors can impede progress. The paper also looks at the impacts of technological advancements, regulatory frameworks and public-private partnerships that shape the infrastructure landscape and affect economic outcomes.

Mohammed Shoaib, A.S. Monika Sharma, Sheetal M Padasalagi has written in their paper “**INDIA’S \$5 TRILLION ECONOMY - THE VISION, CHALLENGES AND ROAD MAP**” that India aims to achieve a \$5 trillion GDP by the fiscal year 2027–2028, positioning itself among the world's leading economies. This ambitious goal is supported by key sectors such as manufacturing, services, and infrastructure, with the "Make in India" initiative holding significant potential for both the nation's future and its role on the global stage. However, challenges such as skill shortages, inadequate infrastructure, and environmental concerns could hinder progress. This analysis explores the primary drivers of India's economic transformation while also identifying potential obstacles that may arise. It presents two possible scenarios: one where India emerges as a global superpower and another where it faces significant challenges along the way. Ultimately, India's success will hinge on its ability to navigate these hurdles through innovative solutions, effective governance, and international cooperation, paving the way for a more equitable and sustainable future for both the nation and the global community.

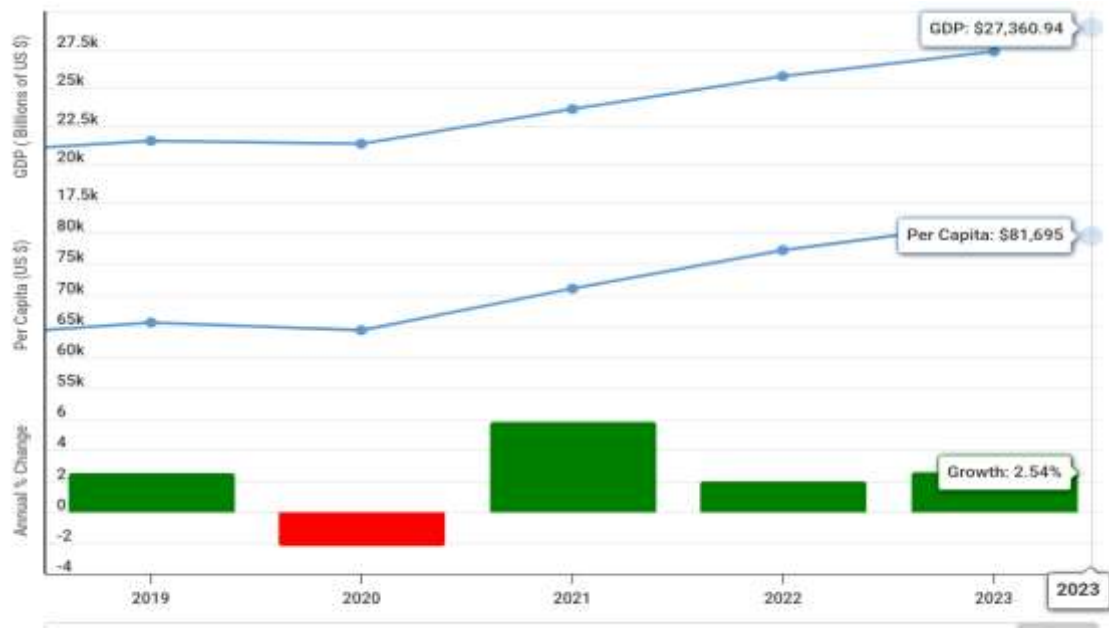
R. Adarsh, N. Fahad, Jith Rajan in their article “**UNLOCKING INDIA'S POTENTIAL: JOURNEY TOWARD A 5 TRILLION DOLLAR ECONOMY AND BETTER EASE OF DOING BUSINESS**” states that India, recognized as one of the fastest-growing economies globally, is anticipated to achieve high middle-income status by 2047. Although the economy experienced a downturn in FY20/21 due to the COVID-19 pandemic, it rebounded robustly in FY21/22, bolstered by supportive fiscal and monetary measures as well as extensive vaccination efforts. In FY22/23, India's real GDP is estimated to have grown by 6.9%, driven by strong domestic demand, significant investment activity, and increased private consumption. However, signs of a slowdown have emerged since the third quarter of FY22/23. Factors such as rising borrowing costs, tightening financial conditions, and ongoing inflationary pressures are expected to affect economic growth in FY23/24, with projections indicating a decline to 6.3% from the estimated 6.9% in the previous fiscal year.

India's economy: growing fast

One of the big reasons for optimism about India's economic prospects is its strong GDP growth rate relative to other large economies. In 2023, the US and China's GDP growth was 2.54% and 5.20% respectively. But India outstripped them all, achieving GDP growth of 7.58% last year. By far, it is the biggest figure among the world's 10 largest economies. India's unique demographic dividend is highlighted by its status as the world's most populous country, with 1.425 billion people in 2023 (projected to reach 1.7 billion by 2060) and more than half of its population under the age of 30 a young population, offering significant potential for economic and social growth amidst other industrialised nations are dealing with the challenge of an aging population. Strong private consumption, infrastructure investments, and rising domestic demand are expected to support India's GDP growth rate, which is predicted to be 6.8%–7% for FY 2024–2025. The IMF and the Reserve Bank of India claim that growth is greater than that of big economies like China and the United States. India received the highest annual remittance ever in 2024, \$129.1 billion. Furthermore, India had the highest share in global remittances since 2000, at 14.3%. India continues to receive the most remittances worldwide, the findings are based on a blog post published by the World Bank. Despite a modest decline in overall merchandise exports, electronic products exports showed resiliency. The trade deficit is decreasing, which improves the stability of the external sector. It is believed that India has the potential to position itself as a global powerhouse by having favourable conditions like - a substantial reservoir of labour, a young and growing population, and a large, capable, and relatively well-educated workforce. These factors collectively create a strong foundation for India's future growth and development.

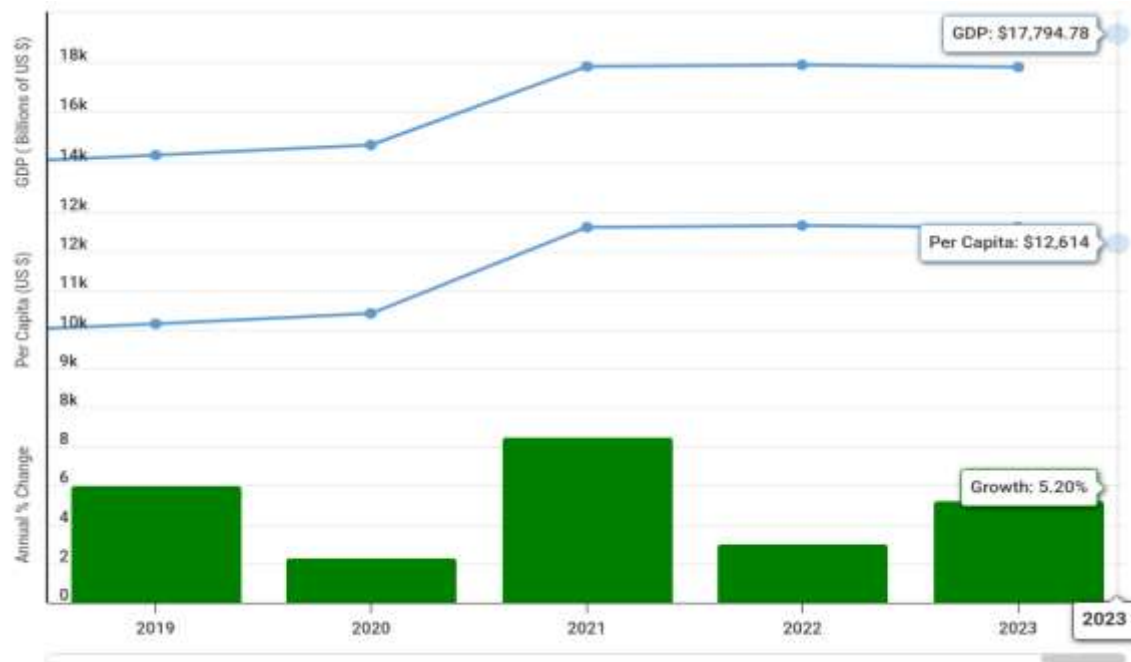
INDIA

Data Source: World Bank

U.S.A

Data Source: World Bank

CHINA



Data Source: World Bank

India's plan

India's Union Budget for 2024–2025 is centered on economic growth, sustainability, and inclusivity. Targeting important industries including agriculture, infrastructure, employment, innovation, and renewable energy.

1. **Agriculture and Rural Development:** With an emphasis on climate-resilient and sustainable farming methods, the budget for agriculture grew by 22% to ₹1.52 lakh crore. Initiatives for natural farming and digital public infrastructure for agriculture are prioritized.
2. **Employment and Skill Development:** In addition to employment-linked incentives and women-focused workforce participation efforts, five new programs worth ₹2 lakh crore are intended to upskill 41 million adolescents over the course of five years.
3. **Infrastructure:** ₹11.11 lakh crore has been allocated, to promote regional growth, new airports, and healthcare facilities. ₹2.78 lakh crore specifically for road infrastructure, reflecting the government's commitment to expanding and improving connectivity nationwide.

When Prime Minister Narendra Modi visited the US said "When I first visited the US as Prime Minister, India was the tenth largest economy in the world. Today, India is the fifth largest economy. And India will be the third largest economy soon!"

Significant improvements have been made in various areas, particularly in infrastructure, including transportation and communications. Furthermore, there has been a substantial increase in basic household amenities, such as access to toilets, clean drinking water, cooking fuel, and electrification.

The structure of the Indian economy

It is difficult for India to rival long-established economic powers like the USA and China. India lags very far behind both in one key area – exports. China's modern economy has remarkable manufacturing and export prowess. China is the biggest exporter in the world with a value of \$3,380 billion, ahead of the USA and Germany. India which is the world's most populous nation is 17th biggest exporter with a value of \$432 billion, according to the World Trade Organization. This points out that comparisons with China and the USA are simply unrealistic. The economic disparity between India and China remains significant, with China's economy being six times larger, its per capita income at \$12,614 compared to India's \$2,485, and its contribution to global trade exceeding 14.2% while India accounts for only 1.8%, a gap that has widened over the past decade despite differing growth rates. China has been a manufacturing machine. But in India, Agriculture is the main source of work in India – more than 2 in 5 are in the sector according to the International Labour Organization. But India's robust technology sector, driven by its thriving IT services exports and vibrant start-up ecosystem, has made it the second-largest hub for startup funding globally, behind only the United States. The IT sector, driven by large companies advancing digitalization projects and a thriving startup ecosystem exploring emerging subsectors, continues to exhibit robust growth as global recognition of digital transformation's importance increases. India's development of digital infrastructure has significantly enhanced financial inclusion by increasing access to digital transactions, streamlining money transfers, and expanding the digitalization of cash transfers, thereby making services more accessible to its vast population and boosting economic efficiency. India has emerged as a key destination for foreign direct investment, particularly from major tech giants

like Apple, which has shifted some iPhone production to the country, and companies like Google and Amazon, which have committed to expanding their operations, bringing advanced technology, management expertise, and innovative practices that drive local economic growth and productivity.

Challenges

India faces serious constraints in developing its human capital through factors such as education, public health, vocational training, and low female labour force participation which impede the country's socio-economic progress. Despite the unmet need for skilled work force, efforts to absorb the remaining labour force in India are being approached with great caution from a demographic point of view. For India, such a deeply worrying state of ecological degradation poses major threats to its ecological integrity, public health and resource development.

While India has made significant progress in recent years, it continues to face many challenges, particularly in human capital development, including critical issues such as education, health, and gender equality – which are key determinants of economic success. India's economy experienced a sharp contraction during the COVID-19 pandemic, followed by a subsequent bounce; however, the average growth rate over the past four years, including pre-pandemic levels, has been around 3.5%, well below optimistic estimates. India must focus beyond GDP metrics to effectively tackle socio-economic inequalities and underlying structural problems. India has faced many serious challenges over the past several decades, including a lack of public services in education, health, and urban infrastructure, a growing young population entering a job-poor environment, a deteriorating judiciary, and severe environmental degradation. One of the biggest challenges facing India is employment, especially for its young population. Ironically, unemployment rates are linked to higher education. People with higher education in India have more than double the unemployment rate, which is around 7%. Even people with intermediate or secondary level education find it more difficult to find a job than those with basic or no formal education. In addition, many people with less education work in very low-paying agriculture, which employs more than 40 percent of the country's population. This poses a dual challenge: lack of adequate employment opportunities for both those with minimal and higher education. While public discourse is disproportionately focused on the limited opportunities available to a narrow elite on the socio-economic hierarchy, India's economy faces significant challenges in generating adequate employment opportunities, especially in highly-skilled positions, resulting in widespread underemployment among its youth.

India's gender gap

India also faces a major issue of under-representation of women in its labour force. The gender gap in labour force participation is much higher in India than in Vietnam and Indonesia, as well as in developed countries such as China, the US and the UK. Of the over 70% of men in India's workforce, only a little over 20% are women. India's growth potential is largely hampered by one of the lowest female labour force participation rates in the world, which prevents half of the country's population from being fully utilised in economic development. Contrary to expectations based on India's development trajectory, female labour force participation has declined over the past few decades despite rising levels of education and declining fertility rates. A number of social factors, including cultural norms, gender roles, and limited access to economic opportunities for women, are often cited as the cause for India's exceptionally low female labour force participation rate. Women's participation rates in the Indian labour market are low because traditional gender roles hold women primarily responsible for caregiving and domestic chores. The academic community should focus on the economic factors that influence women's participation in paid work, rather than focusing only on challenging social norms that are entrenched in households. Doing so could hamper progress for generations. Inequality is not just in India; it is a huge issue that impacts even the world's richest economies.

Education problem

India, despite significant achievements in areas such as space technology, defense, and information technology, remains a relatively poor country. Its GDP figures are often inflated because, due to the country's large population and geographic size, the country has not yet reached the level of development that some Western analysts consider necessary. Assessments of India's education system reveal huge inequalities, while those from privileged backgrounds often receive a consistently high-quality education that yields significant lifelong advantages. In rural areas, many children advance through several classes without being able to read in any language or understand simple calculations such as addition and subtraction. Despite the existence of schools, teachers and educational infrastructure, the quality of education has steadily declined, being heavily influenced by socio-economic privilege, making the educational experience very weak.

Democratic decline

Another vital issue, which many say Narendra Modi's ruling Hindu Nationalist party worsening ethnic tensions between Hindus and the country's Muslim minority. Which lead to the question of democratic decline. Many believe this threatens the Indian republic itself. As opposition criticise Modi's government on that India has experienced a notable democratic decline in recent years, with concerns over the erosion of democratic institutions and the targeting of religious minorities, particularly Christians and Muslims, under the leadership of Prime Minister Modi's Hindu nationalist government. This shift towards a more Hindu-centric regime has raised significant unease among Western nations, including the United States and countries in Western Europe, who view these developments as a challenge to India's pluralistic and inclusive democratic values.

Other threat

Environmental threat

There are not only economic reasons to secure India's future; the environment is also a concern. The most famous cities in the world are in India and there is a huge threat to economic and social development. Indian cities compete to be included in the world's most famous cities; however, the damage to the country's rivers is the biggest river. To solve these issues, which include the poor state of water management and environmental protection in the country, is not getting genuine attention or action and it has also become complicated.

Conclusion

Despite the many challenges India has faced in its history, it has shown courage through its commitment to democracy, pluralism and federalism, believing that these fundamental principles will sustain the country despite socio-political inequalities. Economic growth in India has been important, but it has not fully resolved deeper social and political challenges, as evidenced by violent conflicts in economically successful regions. This underscores the need for a broad national conversation to promote equality and mutual respect among India's diverse population, emphasizing the importance of treating all people as inherently equal and valuable, regardless of their backgrounds. India is unlikely to become a global power like China in the next two decades because of the vast differences in its political and governmental systems. India's longstanding democratic traditions will shape its international relations and global role, setting it apart from more autocratic states like China. Although it is too early to definitively call the coming decades the "Indian century," India's population of 1.4 billion faces challenges such as economic inequality, environmental degradation, social tensions, and political polarization that pose significant obstacles to its potential that need to be addressed urgently and India will be a leader in the global economy. Its success in addressing these challenges, leveraging its democratic strengths and young population, will determine its future as an emerging global power.

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