

India's Economic Rise and its Impact on Global Markets

The dynamics of economic growth have long been a subject of fascination for economists and researchers. What factors contribute to a nation's ascent on the global economic stage? Is it merely the accumulation of capital and an expanding labor force, or does technological innovation also play a pivotal role? In the case of India, a country known for its diversity, rich culture, and burgeoning economy, these questions have taken center stage in recent years. With substantial investments in technology, clean energy, and infrastructure, India is poised to become the world's third-largest economy by 2027, along with the third-largest stock market by 2030.

According to the World Investment Report of 2023, India witnessed a remarkable 10 percent increase in Foreign Direct Investment (FDI) inflow, surging from \$44.7 billion in 2021 to an impressive \$49.3 billion in 2022. Although there has been a slight dip in these figures in recent quarters, the overall outlook remains optimistic.

Elements Bolstering India's Economic Centrality

- **Global Offshoring** - India's prowess in global offshoring extends far beyond cost arbitrage. Indian Global Capability Centers (GCCs) are playing a pivotal role in driving innovation and success for offshore parent companies. These GCCs serve as hubs of excellence, harnessing India's vast talent pool to innovate, optimize processes, and provide cutting-edge solutions to global challenges. Companies around the world are increasingly turning to Indian GCCs to tap into India's innovation ecosystem, fostering collaboration and driving business growth.
- **India's Expanding Credit Availability**- The availability of credit plays a crucial role in driving economic growth. India has witnessed significant reforms in its financial sector, making it easier for individuals and businesses to access banking services and credit. This has spurred entrepreneurship and investment in various sectors, further fueling economic expansion.
- **Flourishing entrepreneurial ecosystem** - India's entrepreneurial spirit has led to the emergence of numerous startups and innovative ventures. The government's "Startup India" initiative has provided support and incentives for new businesses, fostering a culture of innovation. Additionally, various initiatives aimed at improving the quality of life for citizens, such as "Smart Cities," have enhanced infrastructure and urban development.
- **Digitalization**- India's rapid digital transformation has been a game-changer for its economy. With a vast population and increasing internet penetration, the robust digital ecosystem has become a cornerstone of business operations, communication, and consumer engagement. E-commerce, digital payments (UPI), and the adoption of technology in various sectors have contributed significantly to economic growth. The Government of India also has spearheaded the digital initiative through the Government e-Marketplace (GeM) which has vastly simplified the procurement process for the Government and has reduced lead times for both the Government and the vast pool of vendors.
- **India's diverse workforce** - India's diverse and skilled workforce is a valuable asset for its economic growth. The nation's labor force is not only vast but also diverse in terms of skills and expertise.

Gender diversity in the workplace is also on the rise, with more women participating in the formal workforce. This diversity brings different perspectives and talents to the table, fostering innovation and productivity.

- **Expanding Export-Led Manufacturing Economy**- India has been strategically focusing on expanding its manufacturing sector to meet domestic demand and tap into global markets. The "Make in India" initiative aims to promote domestic manufacturing and transform India into a global manufacturing hub. Export-led growth is expected to add substantial momentum to India's economic expansion by capitalizing on external demand. The Government has also been successfully running the initiatives of Special Economic Zones (SEZ) which focus entirely on the export sector.

- **Establishment of GIFT City** (Gujarat International Financial Tec-City) in 2012 in Gujarat was a milestone in the Indian Financial Sector. GIFT City is a global hub for financial and business services acting as an International Financial Center. As of June 2023, GIFT City is home to several banks that operate their Offshore Banking Units, Fintech Units, 2 international stock exchanges, and India's first International Bullion Exchange.

Way Forward: Milestones for Economic Growth

India's journey toward economic centrality is marked by several milestones and strategic initiatives. Three key milestones that will further boost economic growth include:

- **Make in India Initiative**- The "Make in India" initiative is pivotal to India's economic transformation. By promoting domestic manufacturing and attracting foreign investment, this initiative aims to boost production, create jobs, and make India a global manufacturing hub.
- **Increasing India's Exports**- Expanding India's exports is crucial for achieving sustainable economic growth. Diversifying export sectors, reducing trade barriers, establishment of Free Trade Agreements, and entering new markets are essential steps to enhance India's global trade footprint.
- **Economic Growth Measures**- The Indian government has implemented various measures to accelerate economic growth. These include infrastructure development, regulatory reforms, and initiatives to promote ease of doing business. These measures are expected to facilitate investment and stimulate economic activity across sectors.

Moreover, banks facilitate crucial aspects of economic development, including trade finance services that simplify global transactions for Indian businesses engaging in international trade. Mashreq, alongside similar financial institutions, has been instrumental in propelling India's economic expansion through its international network and financial expertise. Mashreq's role extends beyond borders, actively attracting foreign direct investment into India, thereby stimulating economic growth and job creation. Moreover, as leaders in the digital banking space, such institutions contribute to India's ongoing digitalization efforts, providing innovative solutions for seamless transactions, investments, and financial management. Thus, serving as catalysts, navigating the complex terrain of global finance to bolster India's economic trajectory.