

India's Journey to Viksit Bharat: Challenges, Opportunities, and the Road Ahead



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As we look towards the future, India stands at a crucial juncture. We have set ourselves an ambitious goal - to become a developed nation, or “Viksit Bharat,” by 2047. This isn't just a dream; we're laying the foundation to achieve this difficult task. But can we take it for granted that India will become a developed country by 2047? Not at all. We need to put in place the right building blocks.

Let's look at what's working in our favour. First, we're retaining talent in India. Before 2000, about

90% of IIT B.Tech graduates would go abroad. Today, 50-70% are staying back. Some who left are even returning. We're hearing about 75 scientists from the US and Europe coming back to India for basic work. This talent retention is our biggest advantage.

When we exported talents like Satya Nadella, Sundar Pichai, and Arvind Krishna, they ended up heading Microsoft, Google, and Adobe. Now, imagine if this talent stays back in India. Will they create companies equivalent to smaller versions of these tech giants? It's quite likely. Already, we're seeing promising signs. One out of four chips designed in the world today is designed and developed in and around Bangalore. There are 230 Global Capability Centers working in and around Bangalore, designing chips. From these design centers, some new Narayana Murthy or Azim Premji will likely emerge and set up their own chip designing units.

But talent alone isn't enough. We need capital to support it. Fortunately, we now have a robust private equity and venture capital system. It's not just the children of industrialists who can set up businesses. Many middle-class people with good ideas can now access capital. Take Zerodha, for example. India's largest broking company isn't in Mumbai, and it wasn't started by traditional business families. It's in Bangalore, run by entrepreneurs with brains and money, not just family connections.

Infrastructure is the third piece of the puzzle. While our city infrastructure needs work, rural infrastructure is developing rapidly - roads, ports, power, telecom, airports, rail electrification. We're moving from an infrastructure deficit to infrastructure availability. For instance, in Bangalore, it now takes about 5 hours for cargo to move from a factory to get loaded onto an airplane. Bangalore Customs has become a model in India, with clearance times of less than 5 hours. Can this be replicated across the country? We're moving in the right direction.

Put these three things together - talent, capital, and infrastructure - and you can see a roadmap to Viksit

Bharat emerging. We're already seeing good signs. Our GDP growth is accelerating. From being the 10th largest economy in 2014, we've become the fifth largest. In a couple of years, we should become the third largest.

What's more, this growth is coming with prudence. Unlike many developed countries where the debt-to-GDP ratio is running at 100%, 150%, or even 250%, our debt-to-GDP ratio is still around 80%. We're not mortgaging our kids' future to survive in the present. The US is seven times bigger than us in GDP, but their credit card debt is 40 times higher than ours, and their student loan debt is 90 times higher.

But this journey won't be smooth sailing. We face significant challenges.

The first is technology. We missed out on the Industrial Revolution, and it set us back 200 years. We can't afford to miss the AI and machine learning revolution. There are encouraging signs that we won't. We have companies exporting cutting-edge products to developed nations. There's an explosive company in Nagpur exporting explosives to Sweden, the home of Dr. Alfred Nobel. They've made explosives with only light, no sound, allowing blasting even in eco-sensitive terrain. We have an auto component company in Bangalore that's the first in Toyota's ecosystem to get a contract for manufacturing engine spare parts. There's a company from Rajkot making CNC machines 40% cheaper than their competitors, which Apple is using to make iPhones in Hosur.

These are still exceptions, though. We need to make them the rule. We need more companies that can compete globally, offering better quality at lower prices.

Power is another major challenge. This summer, we may face power cuts across India. In the next 2-3 years, new power capacity isn't coming up fast enough. We might see power shortages like before. There's a potential solution - about 30,000 MW of power capacity with state electricity boards is running at 50% efficiency. If they hand it over to NTPC, which operates at 80%+ efficiency, we could get 8,000-10,000 MW of extra capacity. But will state and central governments work together on this? We'll have to wait and see.

Our third big challenge is funding investments. We're good savers but bad investors. In just 21 years, we've spent about \$373 billion on importing gold. Add silver, diamonds, and pearls, and it's about half a trillion dollars. That's more than all the foreign direct investment or foreign portfolio investment we've received. Most of this gold goes into lockers, becoming frozen savings. We need to find ways to unlock this frozen gold and channel these savings into productive investments.

Consider this: in the last 3 years, households have put Rs. 9 lakh crore in currency notes while mutual funds have received Rs. 4 lakh crore. Currency notes are a depreciating asset, hit by inflation year after year. How do we convince people that investing in mutual funds, which appreciate, is a better option than holding depreciating currency?

We also need to ensure that good economics translates

into good politics. Today, elections are often fought over freebies. Take the old pension scheme debate. If a state like Bihar adopts it for all employees, 75% of their revenue will go towards pension payments. There will be no money left for development. We can't afford such self-goals.

Despite these challenges, I believe we have a reasonable chance to become Viksit Bharat by 2047. Our entrepreneurs are mastering new technologies. Our economy is growing faster than many others. Today, Maharashtra's GDP is equivalent to India's GDP in 2005. UP and Uttarakhand are equivalent to 2001 India, and Tamil Nadu, Gujarat, and Karnataka are equivalent to whole of India in the year 2000. In 20 years, these six states have reached where India was. Now, UP is talking about a trillion-dollar GDP, which will be 25% of today's India. Maharashtra is talking about a trillion-dollar GDP soon, and Gujarat, Tamil Nadu, and Karnataka will follow.

But let's be clear - this journey will be tough. One generation of Indians will have to work incredibly hard, just like the Japanese and Koreans did. We might need to work 84-hour weeks. It's not just about hard work, though. We need to turn hard work into smart work.

We need to focus on sectors where we have natural advantages. Healthcare could be one. We supply 40% of the medicines consumed in America by volume. We've launched cutting-edge treatments at a fraction of the cost in the US. In cancer treatment, Tata Memorial launched CAR T-cell therapy three months after it was introduced in the US, curing the first patient at 90% cheaper cost. A \$4 million treatment in the US costs Rs. 40 lakh in India. If they get the scale, this Rs. 40 lakh could become Rs. 10-15 lakh.

Could we see Indian healthcare companies becoming global giants, providing doctors, medicines, and treatments to an aging world? They could offer physical and virtual consultations, treating patients in the US from Bangalore. Will we see billion-dollar-plus healthcare companies in the future? The answer is undoubtedly yes. If we don't create them, the world will force us to.

Agriculture is another area with huge potential. We have some of the world's most fertile land. The US is bigger than us, but their fertile land is not as big as India's. But we haven't converted our agricultural strength into global brands. Where is India's answer to Tropicana? We need entrepreneurs who can create globally suitable agri-processing brands.

In manufacturing, we're seeing promising signs. Companies are winning contracts from global giants, often by offering better quality at lower prices. Any entrepreneur with vision, execution capability, and governance in any sector will succeed. Some will deliver instant returns, some over time, but a portfolio of them will be the best way to participate in the India growth story.

Education and healthcare will likely be priorities for the next government. Digitization will play a crucial role here. Thanks to widespread internet access through initiatives like Jio's 5G network, we can deliver quality education remotely. This could be a game-changer for underprivileged children. We need to create high-quality remote learning content, similar to Salman Khan's lectures, but tailored for India.

We also need to rethink our approach to education. We have more schools than China, but our education quality isn't better. We built many small schools to ensure kids didn't have to walk far, but this resulted in poor infrastructure. Can we take tough decisions and build fewer but better schools? Let kids walk a bit longer. Politicians can't say this, but civil society must. If we do, the quality of education will improve.

We also need to reduce compliance burdens on businesses. Too often, innocent mistakes are penalized heavily, while real offenders get away. We should use technology to automate and streamline these processes. Create a pyramid of entrepreneurs. If small and medium enterprises dominated, we wouldn't have reached a \$200 billion size. We need large companies to anchor industries, like Maruti Suzuki, Infosys, TCS, and Wipro have done.

As we grow, we must do so sustainably. India is already one of the lowest per capita carbon emitters despite our pollution issues. We need to follow an Indian model of growth with low carbon emissions. If we adopt American or Chinese models of development, there might not be a planet left to enjoy our progress.

Lastly, a word on the stock market. There's currently a lot of optimism, leading to high valuations, especially in mid-cap and small-cap stocks. While mid-caps are indeed the future, invest in them as a portfolio. For every successful mid-cap, there will be failures. Nurture small companies, support the strong ones, and benefit from the successful ones.

Remember, investment decisions should be based on your personal risk tolerance, not just market conditions. A 75-year-old lady who invested during COVID-19 tripled her wealth, while a young hospital CEO didn't take the risk. It's about what you're comfortable with.

In conclusion, India's journey to becoming a developed nation by 2047 is challenging but achievable. We have the talent, we're building the infrastructure, and we're attracting capital. If we can overcome our challenges and capitalize on our strengths, Viksit Bharat can become a reality. But it will take hard work, smart policies, and a commitment to sustainable growth. We need to improve our education system, reduce compliance burdens, focus on sectors where we have natural advantages, and ensure our growth is environmentally sustainable.

The road ahead is long and filled with obstacles. We'll need to make tough decisions, work incredibly hard, and constantly adapt to changing global conditions. But the destination - a developed India - is worth the journey. If we can harness our demographic dividend, leverage our technological capabilities, and maintain our economic prudence, we can create a Viksit Bharat that not only provides prosperity for its citizens but also serves as a model for sustainable development in the 21st century.

As we move forward, let's remember that this isn't just about economic metrics. It's about creating a nation where every citizen has the opportunity to reach their full potential. A nation that leads in innovation, sets global standards in sustainability, and upholds the values of democracy and diversity. That's the Viksit Bharat we should aim for. And with the right steps, that's the Viksit Bharat we can achieve.