

| OPINION

Modi government has failed to utilise technology to ensure inclusive economy

As much as 90 per cent of increases in per-capita income come from technological innovation. The government has to look for a strategy that will make technology inclusive



Representative Image (Photo Courtesy: Social Media)



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COVID-19 has taken a huge toll on the Indian economy. The size of the economy (read, GDP) shrank from \$2.87 trillion in 2019-20 to \$2.66 trillion in 2020-21. GDP growth also slowed from around 4 per cent in 2019 to -8 per cent in 2020. Starting from a low base, this year initially the economy was expected to grow at 9 per cent but data got revised downward, and the economy is now expected to grow at 6 per cent.

The wider implication of this slow growth is going to fall on income generation and income distribution

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But how much an event such as COVID-19 is to be blamed? In economic parlance, a shock created by pandemic is treated as exogenous, which is outside the control of any policymakers. What if such an event were not to happen? How would things unfold? Not much, considering the big elephant in the room, which is: technology.

Consider this. An important component for getting a job is to be productive. There are two ways to become productive. First, our labourers are producing outputs which no other countries in the world does. Then people will buy our products and India will continue to create better paid jobs. Unfortunately, this is not the case with India.

The second option is to produce goods and services which are cheaper, so that the world will buy from us. Here also we are not doing great, either. We are losing big time to China (in terms of producing goods at a cheaper price) and the US in terms of producing goods which are innovative.

India's labour productivity – economic output per hour of work – is just 15 per cent of the US levels. And in the world export markets, the Chinese are far ahead in comparison to India.

India's economy is being hit by a technology bug and that is more worrisome than anything else. A closer look at the data suggests that in India, gross fixed capital formation is falling. Growth in capital formation has fallen from a high of 17.5 per cent during 2004-2008 to a lowly 5.1 per cent during 2019 (pre-COVID) and to -12 per cent in 2020.

Although COVID-19 played spoilsport, an important reason for the fall in value of investment has to do with lower input costs. Technology has made sure that inputs come at a cheaper price. This has reduced the cost of private investment, and the growth of gross fixed capital formation.

Jobs were not getting created like the way it happened during the last century. During the last century, technology was complementing India's workforce by making it more productive. Electricity, combustible engines and refrigeration aided economic growth through a more productive labour force.

Unfortunately, things are now different. In this age of big data analytics, machine and deep learning, machines are increasingly taking over jobs performed by humans. With technology changing at a rapid pace, no one knows where jobs of the future are coming from and what do they look like.

US regulators have already approved smart pills from inside the patient's body to doctors via Bluetooth already equal to that of the human brain. Tesla has an electric car that cost only \$35,000. This may change the entire dynamics of the automobile industry.

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In agriculture, where majority of the Indians earn their livelihood from, it is extensive rather than intensive. Indian farmers grow crops using more land, labour and animal inputs, rather than using technology. For a long period of time, output per hectare, a common measure of agriculture productivity, remained low in India. For example, in potato farming, the productivity of an Indian farmer is less than half of that of the US, Germany and Netherlands. In case of rice, it is less than half of that of the US and Egypt, and for wheat, it is less than half of that of the UK and Egypt.

The problem is aggravated as 83 per cent of the farmers in India who are marginal and small farmers (someone with less than 2 hectare of landholding) do not have the wherewithal to understand technology. Reforming agriculture sector cannot happen without embracing technology.

With nearly 50 per cent of the Indian population still earning their livelihood from the agriculture sector, a lower productive and a low technology intensive agriculture sector means a lower per-capita income for Indians.

To enhance productivity here is a need to create skills, and the universities are also not doing great jobs either. Starting 2010, there has been a 50 per cent increase in the number of private universities, and at present there are around 1000 of them. However, the curriculum taught in most of these universities are stuck in the past, with little relevance to modern industry with a focus on technology. Hence, fewer jobs are getting created, with less few graduates having the ability to execute.

Daily, less than 2 per cent of the Indians who apply for jobs get them. Presently, India (like elsewhere, in the world) is slowly transforming into a gig economy where the labour market is increasingly characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs. Most of these jobs are low paid, exacerbating the already widening income inequality.

This year, the unemployment rate in India shot up to 8 per cent, with an employment figures at 398 million in 2020-21, in comparison to 404 million in 2019-20. The only way to create more employment opportunities (also, better paid jobs) is to embrace technology and impart necessary skills for our younger generations.

Technology, which is the key to raising productivity is here to stay. As much as 90 per cent of increases in per-capita income come from technological innovation. The government has to look for a strategy that will make technology inclusive.

(IPA Service)

Views are personal

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