

TOPIC OF THE WEEK

AUGUST '19 (29 Aug to 04 Sep)

Technology and development - The road ahead

Modern India has had a strong focus on science and technology, realizing that it is a key element of economic growth. India is among the topmost countries in the world in the field of scientific research, positioned as one of the top five nations in the field of space exploration. India ranks 6th position for scientific publications and ranks at 10th for patents which included only resident applications. The Government of India is extensively promoting research parks technology business incubators (TBIs) and (RPs) which would promote the innovative ideas till they become commercial ventures. Talking more about investment and development- with support from the government, considerable investment and development has incurred in different sectors such as agriculture, healthcare, space research, and nuclear power through scientific research. For instance, India is gradually becoming self-reliant in nuclear technology.

Despite all these, in the recent years, rising income inequality and jobless growth have been subjects of discussion and debate. A February 2018 New World Wealth report claimed that India is the second-most 'unequal' country in the world, with millionaires

controlling 54% of the wealth. With a widening income inequality, it may not be possible to sustain growth that India is witnessing at present. A country that neglects rising income inequality cannot sustain its long-term economic growth. Things are going to get worse with an escalating cost of living, healthcare and education, and the fact that less than 2% of Indians who apply for jobs each day get one. The introduction of modern production techniques, which require proportionately greater capital, was the main feature of the development of the Indian economy during the decade, 1950-60. However, this modern sector had not yet become large enough to affect the overall structure of the economy. Large scale manufacturing industry was the only sector of the economy to adopt advanced modern techniques to a marked extent so as to affect the capital structure of the sector as a whole. In other sectors, in spite of there being a rise in the incremental capital-output ratios, the overall capital-output structure remained largely unchanged.

According to the recent announcement by Supreme Court of India, from 1 April 2020 onwards, no motor vehicle following the currently existing BS IV norm will be allowed to be sold across the country. On the emission transition, the deadline is April 1, 2020 and this too is a

major pain point for vehicle makers. The new emission standards would require technological overhauling, particularly for the diesel cars. With the expected rise in the price of diesel cars, its price gap with the petrol cars is estimated to be at a maximum of 2.5 lakh. However, the largest price differential, at about 50%, is likely to be seen in the small car category. Slumping sales of cars and motorcycles are triggering massive job cuts in India's auto sector, with many companies forced to shut down factories for days and axe shifts, multiple sources said.

The cull has been so extensive that one senior industry source told that initial estimates suggest that automakers, parts manufacturers and dealers have laid off about 350,000 workers since April. The prominent carmakers like Maruti Suzuki, Hyundai, Mahindra & Mahindra and Honda have all suffered a drop in their sales during the month. The case is similar with companies like TVS and Royal Enfield. If the industry goes down, the GDP will go down as the automobile industry accounts for half of the manufacturing GDP and employs around 3.7 crore people, directly and indirectly. Weak domestic economic activity and escalating global trade tensions led the Reserve Bank of India to cut

India's growth projection for 2019-20 to 6.9% last week from its June forecast of 7%. A liquidity crunch caused by a shadow banking crisis since late 2018 has exacerbated the woes of the auto industry. Severe floods in key states such as Maharashtra, Kerala and Karnataka before the onset of Onam and Ganesh Chaturthi are also impacting the fortunes of the automobile industry.

This demand slowdown of automobile has spilled over into the steel industry, which has ramped production up to record levels and depends on the automotive sector for about 10%-12% of demand. Steel consumption rose 6.4% in April from a year ago, slowing from 9% in the comparable prior period, due to weakness in automotive sales and a possible slowdown in construction, SBICAP Securities Ltd. said in a recent note.

India is aggressively working towards establishing itself as a leader in industrialization and technological development. Significant developments in the nuclear energy sector are likely as India looks to expand its nuclear capacity. Moreover, nanotechnology is expected to transform the Indian pharmaceutical industry. The agriculture sector is also likely to undergo a major revamp, with the government investing heavily for the technology-driven Green Revolution. Government of

India, through the Science, Technology and Innovation (STI) Policy-2013, among other things, aspires to position India among the world's top five scientific powers. Indian Space Research Organization (ISRO) will launch its first Indian human mission by 2022. Thus, apart from the current downturn affecting mainly the temporary and casual workforce, technological changes had also necessitated restructuring, reskilling, and manpower adjustments. It is imperative that, given the adverse circumstances, the industry transforms with minimal disruptions by streamlining the automotive businesses. This demands innovative processes, especially when there is a policy push towards a transition to electric vehicles. A related problem is of acquiring and developing new skill sets for those manning the novel methods along with redeployment or creation of new earning opportunities for the replaced workforce.

For reference:-

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Additional Readings:-

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