

Can India Achieve Inclusive Growth in Knowledge Economy?

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Abstract

For the economical growth and competitive advantage knowledge assets are very important. Ever since India has become a part of the global economy and underwent economic reform there has been a change in the economic thought that has made the country shift its focus from traditional factors of production towards knowledge based economic models. In the paper, authors have discussed that have globalisation and knowledge based economic models really remained inimical in poverty alleviation? It has been observed that in a knowledge economy model the employment opportunities remain restricted to skilled workers. The country cannot attain complete economic growth till a section of people exists that remain marginalized to the periphery of the society and still languish in absolute poverty.

Keywords:- Knowledge Economy, Inclusive Growth, Globalization

1. Introduction

During the agricultural and industrial eras, the main sources of economic value creation were tangible assets such as land, minerals, and factories. In the information era, the source of value is knowledge and corporate investment in intangibles is growing at a faster rate than tangible investment in all developed economies (Ferrier and McKenzie, 2000). Due to the emergence and the growth of knowledge intensive industries viz. information technology, telecommunications and biotechnology; there is an increasing 'knowledge' component to economic activity. However, it is also becoming increasingly important in many other 'traditional' industries and there are indications that the knowledge content of work generally is increasing. In such an environment workers are increasingly required to possess a more complex range of intellectual resources and skills to function effectively in knowledge-based employment" Cairney (2000).

Due to globalization, capital, labor, technology, trade and services flow seamlessly across nations.

This made corporate undergo drastic changes their working models and use knowledge management to evolve various mechanisms to help achieve better economies of scale and build strong brand presence. Knowledge assets are considered essential for economic growth, competitive advantage, human development and quality of life (Malhotra, 2003). The knowledge economy as production and services based on knowledge-intensive activities that contribute to an accelerated pace of technical and scientific advance, as well as rapid obsolescence. (Powell & Snellman, 2004). "Research conducted by the OECD (Organization of Economic Co-operation and Development) has found that the quality of workers' skills and knowledge has a significant impact on the economic and social future of developed nations such as Australia (OECD 2003)".

Lengnick and Lengnick (2003), have given characteristics of the knowledge economy which are listed in table 1.1:

Table 1.1: Characteristics of the Knowledge Economy

Knowledge Economy Characteristic	Definition
Symbolic Goods/ Digitization	Electronic symbols represent physical goods (e. g. details of a banking transaction)
Demassification	Reduced dependency on the need for co-location(massification) of labour, materials, and money
Boundaryless Enterprise/ Globalisation	Knowledge transcends firm, industry, and national boundaries; organisations are independent of constraints of time and space; work can be performed in a variety of locations
Virtualisation	Physical things can become virtual, such as corporations, teams, auction sites, etc
Unprecedented Connectedness/ Partnering/ Integration	Interconnectedness within and between organisations and institutions; interconnections between businesses and customers; no single organisation can have all the knowledge needed, so partnering becomes important
Disintermediation	Elimination of the intermediaries in economic activity –anything that stands between producers and consumers
Convergence	Bringing together previously disparate economic sectors to create new products and services (e. g. telecommunications)
Personalisation/ Mass Customisation	Fitting products and services to the unique needs of individual customers; consumers become involved in the production process as their knowledge, information and ideas become part of the product specification process
Dynamic Pricing	Pricing decisions based on time and place as products and services are constantly updated and shifted
Immediacy	Business is conducted in real time; enterprises continuously and immediately adjust to changing business conditions; product life cycles become shorter
Customer communities	Customers talk with other customers on a local and global scale (for example, Amazon. com)

Source: Adapted from Lengnick-Hall and Lengnick-Hall, 2003

“The knowledge-based economy project will determine the drivers, extent and rate of change in knowledge requirements in a number of industry sectors and will examine the implications of this for the provision of vocational education and training.” Cairney, Trevor(2000).

2. Impact of Knowledge Economy in India

Ever since India has become a part of the global economy and underwent economic reform there has been a change in the economic thought that has made the country shift its focus from traditional factors of production towards knowledge based economic models. There is no denial from the fact that this shift has not just helped in Indian economy grow at a faster rate but has also made it the fourth largest economy in the world in terms of purchasing power parity. In the last two decades, a significant portion of the population across the country has reaped the benefits of economic growth and in this age of knowledge economy the most important factor that has influenced the creation of wealth has been the generation and exploitation of knowledge.

OECD (Organization of Economic Co-operation and Development) has widely supported the fact that the knowledge-based economies have brought about a new orientation in employment, production and human resource development. As in academics, today it is widely believed in corporate also that sharing of knowledge is essential and in the past we have seen the Indian IT companies benefiting from it as well.

Corporate have stretched their scale of operations that resulted in a lot of foreign direct investment take place in the host countries and developing economies like India and China. For these corporate financial capital has always been an important resource as it can generate or buy any other resource.

The developing economies like India welcomed the FDI inflow with open arms as it sharply

increased the GDP and increased employment opportunities for its ever increasing population, but the moot question that still remains is how effective these FDI inflows and trade liberalizations have remained in reducing poverty and generating employment?

3. Affect of Globalization on the Indian Knowledge Economy

Today globalization has made the entire world a global village, liberalization and privatization have paved the way towards open market capitalism where the onus lies on excellence in performance for strategic competitive advantage. In this situation reliance on knowledge based economic model looks even more necessary as it has already had a considerable impact on India at all levels and helped the country redefine its place in the world. Studies by economic experts across the globe envisage India and China to rule the world in the 21st century. India is presently the fourth largest economy in terms of purchasing power parity and is likely to become the third largest by taking over Japan within the next 10 years. Analysts also project the Indian economy to be about 60% of the size of the US economy by 2025 and only a little smaller than it by 2035. So, as India prepares itself to become an economic superpower, it must also expedite the socio-economic reforms and take steps to convert its ever increasing vast population of unemployed youth into a pool of knowledge workers for sustainable economic growth. This is indeed a big challenge and perhaps the biggest of all thus far as knowledge economy is technology driven and not labor-intensive. It focuses on production of high volume of high quality goods and services through fewer hands. In short, it does not always generate employment but also at places displaces and replaces workers with machines and tools. If we look at the period between 1999-2000 to 2004 then despite the country witnessing a rapid economic growth unemployment prevailed and

the unemployment rate remained the same for rural males and decreased by only 1% in case of urban males. On contrary, the unemployment rate increased by 1% for both urban and rural females.

It is also unfortunate to observe that in the era of economic growth the growth benefits that should have been utilized to elevate the quality of life by improving the health status, employable skills and purchasing power of depressed sections of the society have fallen short of such aspirations. The process of economic development has therefore not resulted in fairer distributive justice rather it has increased the income inequalities and caused more poverty.

4. Affect of Globalization and Knowledge Economy in India

It has been observed that in a knowledge economy model the employment opportunities remain restricted to skilled workers. Jobs available for non-skilled workers who generally hail from weaker sections of society are indeed not many. Looking at the situation from an Indian perspective we observe that India today houses nearly 17% of the world population and possesses around 1.8% of the world GDP. The population of India is also expected to become the largest in the world. Hence tremendous pressure will lie on creating employment opportunities for the ever increasing population. The thrust therefore cannot simply lie towards attracting higher amount of FDI but also towards creation and sustenance of both human and capital resources.

In India during the post-economic reforms era the financial system has recorded an impressive growth. The functional and geographical coverage during this period has been noteworthy. Sectors like IT and Communication have performed outstandingly, cities have undergone a tremendous infrastructure up gradation and the economy has really striven hard to improve its pace of development, but one cannot deny that

in this growth process there has certainly been an exclusion of some of the poor sections of the society who have been deprived of an access towards the financial services offered by the growing financial system. The Rangarajan Committee report, 2008 echoes the same sentiment.

Statistically, the picture looks very rosy when we observe that the Indian IT exports to US \$87 billion in 2008, the exports have risen from almost a non-existent level to close to domestic savings have grown by 30% in 2003-04, 32.4% in 2005-06, 34.7% in 2006-07 and were nearly 35% of the GDP during 2007-08. An MGI study also reveals that by 2025 India is likely to become the 5th largest consumer market in the world and 23 Million Indians will be amongst the wealthiest citizens of the country. Internet and telecom revolutions are already taking the country by a storm. Thanks to globalization and the concept of knowledge economy that has made all this possible and brought India in the midst of an unprecedented growth spurt.

5. Conclusion

So, no matter how high we speak about India's economic growth in the post-economic reform era and the success of the knowledge based economic models, in reality the country cannot attain complete economic growth till a section of people exists that remain marginalized to the periphery of the society and still languish in absolute poverty.

The rapid and sustainable economic growth process in a country like India where nearly one-third of population is illiterate and lacks in employable skills as required by our modern economy, an urgent re-jig in the education system is required that blends well with the changing economic scenario and develops the required skills so that the benefits of the economic growth may be transferred to the common man.

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