

## India's Digital Miracle

India's digital revolution and its journey to become the world's third-largest economy



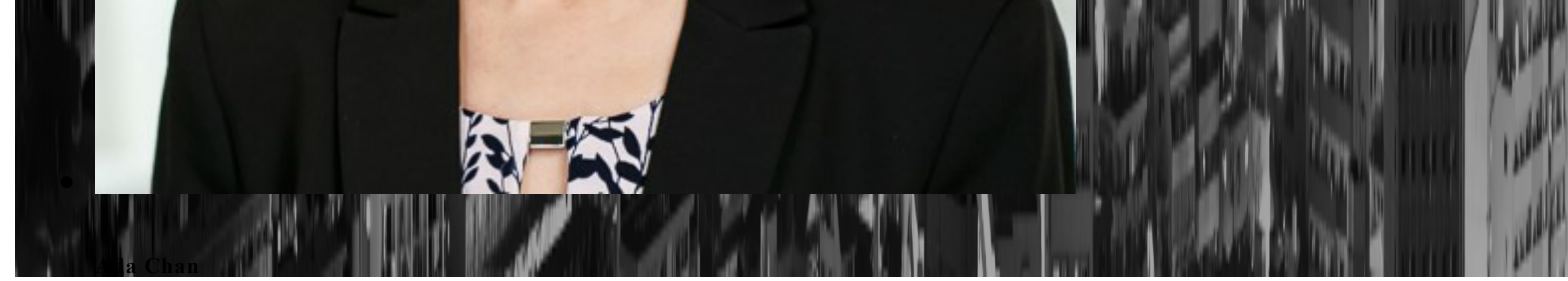
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India is emerging as a global tech giant thanks to the digital reforms implemented under Prime Minister Narendra Modi's government. Improved internet connectivity and a revolution in digital infrastructure have given the world's most populated country solid building blocks for future innovation and services. Great progress has already been made and the country has seen a few strong years of economic growth, but emerging market investors believe there are plenty of good years yet to come.

## Digital India

In 2015, Modi launched the Digital India program which aimed to build internet infrastructure and digitally empower its people, with a particular focus on rural parts of the country.<sup>1</sup> Eight years later, it's clear Digital India has been hugely successful, completely transforming the country's digital position, and making it a tech blueprint for other developing nations.

Back in 2007, India was one of the most poorly serviced countries in the world with just 4% of the population able to access the internet. But by 2022, that figure had grown to a staggering 48.7%<sup>2</sup>, as almost half of India's 1.4 billion<sup>3</sup> people have welcomed their transition to online.

The second major improvement has been in digital infrastructure under a three-layered digital stack: identity, unified payment interface (UPI) and data exchange.

India's identity card is known as Aadhaar and it's linked to biometric and demographic data which provide proof of identity. Over 90% of the population now have an Aadhaar with a 12-digit unique identifier, and it serves as a useful foundation for various digital services, including authentication and eKYC (Know Your Customer) processes.

UPI enables instant payments via mobiles, simplifying peer-to-peer transactions and making cashless payments possible. Thanks to the digital stack's new UPI system, there are now roughly 10 billion mobile transactions every month. Data exchange enables the storing and access of digital documents, reducing the need for hard-copy documents and streamlining administrative processes, creating clear efficiencies.

These digital transformations will inevitably improve the country's economic prospects. Small-to-medium enterprises (SMEs) now have far greater opportunities to sell goods and services online, and banks will dramatically reduce the time and money spent carrying out identity checks.

India has always had a strong services export economy, but these changes will give the sector an extra boost. Wider economic benefits could range from less tax avoidance, less cash in the economy and a reduction in fraud and corruption. In today's internet-based world, good digital infrastructure is good for business.

## Progress looks set to continue

Today, India is one of the fastest-growing economies in the world, with real GDP expanding at an estimated 6.9% in 2023.<sup>4</sup> Growth was underpinned by robust domestic demand, strong investment activity and buoyant private consumption. This is supported by a government committed to increasing capital spending, particularly on infrastructure. Projections put annual GDP growth at around 6.3% every year for the next five.<sup>5</sup>

The IMF anticipates India will be the world's third-largest economy by 2027, overtaking Japan and Germany.<sup>6</sup> And by 2047 - incidentally, the centenary of Indian independence - the country hopes to be a developed economy.

This progress has caught the attention of emerging market investors. India's economic growth and equity market have done well

over the last few years and plenty of benefits have already been reaped, but the real upside might be still to come. With the implementation of a more robust and widespread digital infrastructure, India is surely set to be an even bigger powerhouse.

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- 1 <https://blog.mygov.in/digital-india-celebrating-4-years-of-digital-empowerment/#:~:text=Digital%20India%20is%20a%20campaign,Prime%20Minister%2C%20Shri%20Narendra%20Modi.>
- 2 <https://www.statista.com/statistics/792074/india-internet-penetration-rate/>
- 3 <https://www.worldometers.info/world-population/india-population/>
- 4 <https://www.worldbank.org/en/country/india/overview#1>
- 5 <https://www.statista.com/statistics/263617/gross-domestic-product-gdp-growth-rate-in-india/>
- 6 <https://www2.deloitte.com/us/en/insights/economy/asia-pacific/india-economic-outlook.html>

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