Vol. 6, No. 5, May 2025
E-ISSN:2723 – 6692
P-ISSN:2723– 6595
http://jiss.publikasiindonesia.id/

India's Rise: Becoming a New Economic Power in the Era of Globalization

Dian Sapitri
Univesitas Paramadina, Indonesia
Email: diansafitri22@gmail.com
Correspondence: diansapitri22@gmail.com

KEYWORDS
India's Rise, Indian Economy, Indian Technological Innovation, New Economic Powers, Globalization

ABSTRACT
India's rapid economic rise, fueled by its demographic dividend and post-1991 liberalization, positions it as a future global power. However, challenges like inequality and skill gaps persist. This study examines India's economic potential by 2030, analyzing demographic trends, sectoral shifts (IT, manufacturing, renewables), and policy impacts. A literature review synthesizes data from World Bank (2025), ESCAP (2022), and case studies (e.g., Bangalore's tech hubs), employing qualitative analysis of GDP projections, workforce demographics, and foreign investment trends. India's productive-age population (15–64 years) will peak by 2030, supporting GDP growth of 6–8% annually. The IT and pharmaceutical sectors dominate exports, while AI and renewables emerge as new frontiers. However, rural-urban inequality and infrastructure deficits threaten inclusive growth. Policymakers must prioritize education and rural development to harness demographic potential. For global stakeholders, India's low-cost, high-skilled workforce offers competitive advantages in services and technology. This research underscores India's transition from regional player to global economic leader, contingent on addressing structural disparities.

Introduction

India, with a population of more than 1.4 billion, is a country with rapid economic growth in recent decades. In the midst of an increasingly connected era of globalization, India has shown a significant resurgence as one of the world's economic powers. This transformation can be seen not only from the industrial and technological sectors, but also from the improvement of the quality of human resources, changes in economic policies. India's journey to global economic power reflects its ability to capitalize on the opportunities offered by global markets, while also facing complex internal and external challenges.

The history of India's economic revival is inseparable from the major changes that began since the liberalization of the economy in the early 1990s. Policies that support the private sector, foreign investment, and infrastructure development have provided a boost for India to grow into the world's third-largest economy by gross domestic product (GDP). India's success in the fields of information technology, manufacturing, and service services has made it a major player in global

trade, and positioned it as one of the countries with the greatest economic potential in the 21st century. However, India's journey to becoming a global economic power is not without challenges. Socio-economic inequality. In the context of growing globalization, India must harness its internal strengths while facing the challenges arising from competition with other major economies.

This journal uses a literature study research method, which is research based on the collection of data from various sources, such as books, journals and reports from official institutions that aim to analyze the factors driving the revival of the Indian economy as well as the role of the country in the global economy. By keeping an eye on the latest developments, this journal will provide insight into India's potential to become one of the dominant economies of the future.

Since the era of globalization, global competition between various countries has become more massive, India is one of the second largest populated countries after China which has also enlivened global economic competition. Since India's population and workforce levels are the largest, this greatly affects the demographics of India which is the source of the global workforce and combined with India's rapidly growing technological and infrastructure innovations make India a large country that has a massive increase in economic flows as well. This paper was made based on data from several data quoted from various books that describe the situation before the Indian economic reform before the Indian reform era in 1991 and after the reforms which over time the growth of India's population is increasing and accompanied by the population explosion coupled with the massive global technological explosion makes it a challenge for the Indian government in determining policies to increase investment in the manufacturing and service sectors.

Before 1991, India's economic policies were heavily influenced by Prime Minister Jawaharlal Nehru, who adopted a Soviet-style planned economic model rooted in classical socialism, aiming to eliminate private property and reduce exploitation (Winarno, 2009:216-217). This "Nehruvian" model, also called "Democratic Socialism," emphasized self-sufficiency, import substitution, and heavy industry, while minimizing foreign dependence (Winarno, 2009:215). The first two Five-Year Plans (1951-1962) prioritized agriculture and industry but struggled to meet population needs, with agricultural growth at 2.8% annually (Gulati, Fan & Dalafi, 2005:26-27; India, Ministry of Agriculture, 2004). Indira Gandhi continued her father’s policies, achieving success with the Green Revolution, which boosted wheat production and made India a food exporter, helping it weather the 1970s oil crisis (Gulati, Fan & Dalafi, 2005:28-29; Winarno, 2009:215).

The "License Raj" system, established under Nehru, tightly controlled private enterprise through extensive permits and state regulations, stifling economic freedom (Sarkar, 2018:34-35). Rajiv Gandhi later relaxed some restrictions, opening imports and encouraging foreign investment, but corruption and unemployment persisted, leading to his party’s 1989 defeat (Winarno, 2009:217). The pre-1991 era, dominated by the Green Revolution, helped meet food demands and reduce poverty but left the economy stagnant (Gulati, Fan & Dalafi, 2005:28-29).

After Rajiv Gandhi’s assassination in 1991, Prime Minister Narasimha Rao initiated sweeping reforms to address a severe financial crisis exacerbated by the Soviet Union’s collapse and rising oil prices (Winarno, 2009:218). Under IMF conditions, India liberalized its economy, dismantling the License Raj, privatizing key sectors, and opening to foreign investment (Srinivasan, 2003:13-14). Reforms included financial deregulation, tax reductions, Rupee devaluation, and trade liberalization, marking a shift from state control to a market-driven economy. These changes aimed to attract foreign capital, boost exports, and integrate India into global trade (Winarno, 2009:218).

While existing studies (e.g., Winarno, 2009; Gulati et al., 2005) focus on India's post-1991 liberalization and sectoral growth (e.g., IT, manufacturing), this research offers a comprehensive projection of India's economic trajectory toward 2030, integrating demographic trends, technological innovation, and global labor market dynamics with fresh data (e.g., World Bank, 2025; ESCAP, 2022), uniquely quantifying India's demographic dividend using updated population pyramids (2000–2050) to forecast workforce expansion, analyzing emerging sectors (AI, renewables, pharmaceuticals) as future GDP drivers beyond traditional IT and textiles (Rajadhyaksha, 2007), evaluating 2030 economic projections (e.g., 7–8% GDP growth) with cross-country comparisons (China, Brazil) and IMF/World Bank data (European Commission, 2024), and proposing policy-linked solutions for inequality by addressing rural-urban gaps through infrastructure and education—a gap noted but unresolved in earlier studies (Srinivasan, 2003:29–30).

Materials and Methods

This research method uses a literature study approach to analyze the factors driving India's economic revival in the context of globalization. The research began with the collection of data from a variety of sources, including relevant books, journals, and official reports, which discussed the development of the Indian economy since liberalization in 1991. The data obtained is then qualitatively analyzed to identify key patterns, trends, and factors that contribute to the country's economic growth. The main focus of the analysis is on sectors such as information technology, manufacturing, and services, which are key pillars in India's economic transformation. In addition, the study also includes several specific case studies that illustrate the successes and challenges faced by India during its economic transformation process. Through this approach, the research seeks to provide a clear picture of India's position in the global context and its comparison with other countries in Asia and the world. Evaluation of government policies that contribute to increased foreign investment and infrastructure development is also an important part of this analysis. Thus, this research method is expected to provide a comprehensive insight into India's potential as a future economic power and the challenges that must be faced to achieve such status.

Results and Discussions

Demographics and Population Explosion

After six decades since its independence India's population has tripled, the first census after independence was conducted in 1951 recorded that India's population numbered 361 million people and the census in 2001 recorded that India's growth was already 1.02 billion. Some demographers in India predict that India will become the most populous country in the world in the next two decades. China has set up a one child one policy to slow down its population growth. It is likely that India's population will reach 1.4 billion by 2025 and 1.6 billion by 2050.

India is leading to a demographic sweet spot that will last for approximately 15 years. The Indian population pyramid develops healthy protrusions in the gap, this reflects a fun demographic fact. Demographers divide the population into two groups. First, residents between the ages of 15-60 are at productive age and second, residents who are over 60 years old or under 15 years old are called dependents. The lower the proportion of dependents, the higher the economy's ability to invest and grow. India would be one of the few major economies in the world

to experience a surge in the youth population over the next two decades (Rajadhyaksha, 2007:59-61).

Indian Population Pyramid Percentage Table:

Table 1. Indian Population Pyramid Percentage Table

Age	2000	2025	2050
0-4	11.5	8.2	6,6
5-9	11,1	8,2	6,7
10-14	10,9	8,2	6,7
15-19	10,2	8,1	6,7
20-24	9,2	8,1	6,8
25-29	8,3	8,1	6,8
30-34	7,5	7,9	6,8
35-39	6,6	7,7	6,8
40-44	5,7	7,1	6,7
45-49	4,8	6,3	6,6
50-54	3,9	5,6	6,5
55-59	3,1	4,8	6,1
60-64	2,4	4,0	5,7
65-69	1,8	3,1	4,8
70-74	1,4	2,2	3,8
75-79	0,9	1,4	2,8
80+	0,6	1,2	3,1
Average Age of Indians	23,4	30,8	37,2

Source : U.S. Census Bureau, International data retention.

According to Demographic Changes data, India's 2023 demographic indicator is based on the number of people by age in 2030 to 2025 the largest population of India is the productive age range of 15 - 64 years. This explosion of productive population could greatly help India become the center of the world's workforce in terms of education and skills, massive investment to create jobs, rapid development of the service sector is a recipe in readiness to receive the future population explosion.

Table 2. Table of Population by Age Group (1950 - 2050) :

Age	1950	1990	2020	2023	2030	2050
0-14 Years	135,362	330,482	364,629	355,733	338,124	301,403
15-64 Years	210,586	504,451	938,586	971,861	1,043,385	1,118,811
+60 Years	19,105	55,699	142,309	153,135	195,126	347,584
+65 Years	11.073	35,519	93,171	101,034	133,484	250,276
+80 Years	1,240	4,477	14,818	15,048	21,538	55,852
Total	357,021	870,452	1,396,387	1,428,628	1,514,994	1,670,491

Source: ESCAP Demographic Change, https://www-population--trends--asiapacific-org.translate.goog/data/IND?_x_tr_sl=en&_x_tr_tl=id&_x_tr_hl=id&_x_tr_pto=tc

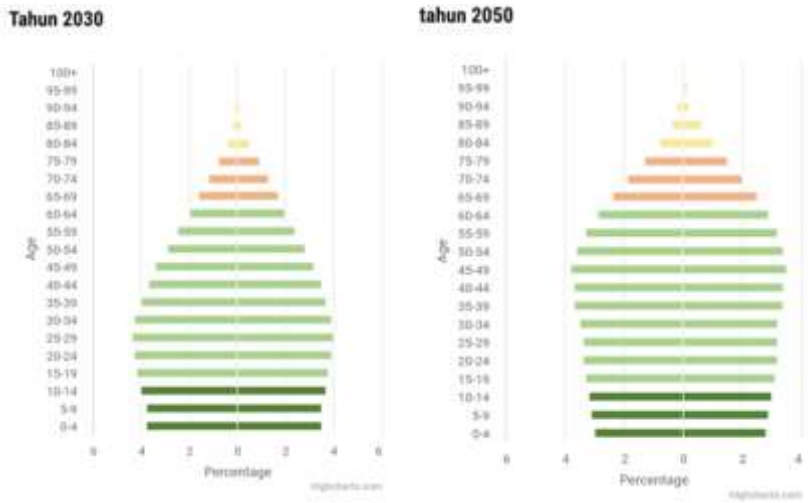

Figure 1.

Source: ESCAP Demographic Change, https://www-population--trends--asiapacific-org.translate.goog/data/IND?_x_tr_sl=en&_x_tr_tl=id&_x_tr_hl=id&_x_tr_pto=tc

Workforce

The global labor market is also changing due to the demographics of India, around 15 million Indians are expected to become the workforce every year. The services sector has the fastest growth opportunities in India, along with the ease of information technology that makes it easy to connect to different parts of the world. The information personnel services export sector. Such as call centers, software applications, design, and server maintenance are opportunities in the labor sector. India has an abundant labor sector with quality English language skills and of course at low cost for superpowers that need technology services such as the United States. In 2006 Japan and South Korea have developed contracts for this service sector (Winters & Yusuf, 2007:17).

Increased productivity for the telecommunication services, financial services, commercial retail, medical, logistics and film industry workers has opportunities to absorb local labor both domestically and abroad due to the demand in companies from large service suppliers (Winters & Yusuf, 2007:48).

Technological Innovation

Advances in the technology, digitalization, and startup sectors that are the main drivers of the Indian economy have occurred since India sends many students to the United States, India is the second most popular country after Taiwan that sends students to the US to study engineering and science. After gaining expertise, the students then worked there, especially in silicon valley. There are about 150,000 foreign workers working out of 60,000 of them software experts from

India. A total of 2000 Indian engineers lead 972 companies in silicon valley that are engaged in the technology sector.

India's technological progress is inseparable from the government's intervention as a development policy maker that has brought India to its success. Support for education, funding, research, and create a conducive environment for companies that want to invest. The government of India through the industrial policies initiated since the beginning of independence which has contributed to development, the industrial policies achieved have had many revisions considering the challenges faced by India from time to time continue to change. The ever-dynamic world situation requires India to continue to take a development approach which then arrives at development-oriented industrial policies through the acceleration of information technology.

The central government since 1996 has played a proactive role in advancing the information technology-based technology industry. Under Rao's leadership, the policy attracted Indian technology experts in the US. Rao is trying to build a Software Technology Park (STP) in Bangalore in the states of Karnataka and Hyderabad, the capital of Andhra Pradesh which was once a backward area and is now a developed industrial area filled with modern architectural buildings to become the Silicon Valley of India where there are about 200 large software industries that absorb hundreds of thousands of employees with a high level of expertise in their fields. Bangalore is the most important region in IT development in India. From 13 companies in 1991-1992 and currently has about 1,100 software companies engaged in computer chip design, software systems, and telecommunications software. The industry employs about 80,000 IT professionals, such as Intel's largest chip design center in Bangalore and IBM and Cisco systems that have opened chip center design facilities, followed by state-of-the-art microdevices and Texas instruments (Winters & Yusuf, 2007:45).

Manufacturing, Commodity Goods

The textile and retail sectors of apparel, pharmaceuticals, auto parts, and steel account for nearly one-third of India's merchandise exports. India's garment textile sector is one of the largest in the world with 35 million workers responsible for 20 percent of the industry's production (Winters & Joseph, 2007:50-51).

India is one of the four largest pharmaceutical producing countries in the world. companies such as Ranbaxy, Cipla, Dr. Reddy, Wockhardt, and Nicholas Piramal invest in developing, testing, manufacturing, and marketing drugs. India's competitive advantage is in terms of cost, with prices being 20 to 40 percent cheaper than European and American countries. From the sales of generic drugs in 2006 India accounted for $8 billion of the global market which amounted to $48 billion.

Another asset that is no less important is the combination of a large population with an English-speaking population, many hospital facilities, and the capacity to conduct research, global clinical trials, bioinformatics thus has a great opportunity as a global research center in the pharmaceutical industry can be suppressed by only needing about $100 million compared to countries that also focus on drug development such as, Europe and the United States, which can

cost about $1 billion more and Singapore and South Korea, which have small populations, India is well suited as one of the world's pharmaceutical development centers besides China (Winters & Yusuf, 2007:56-57).

In 2004 India was able to export automotive products by 0.2 percent, with a total value of nearly $9 billion, in 2015 there was an increase to $40 billion, with total exports of $20 - 25 billion of the total exported. For this reason, the Indian auto parts industry seeks to improve quality to streamline the delivery system and the efficiency of factory operations to be fast and timely (Winters & Yusuf, 2007:58-59).

As India enlarges its transportation, engineering, housing and infrastructure modernization industries the demand for the steel industry tends to rise sharply, India's total output in 2004-2005 produced about 38 million tons of steel and exported 3.8 million tons of steel and it is expected that in 2010 India will produce 55-60 million tons of steel and in 2015 as much as 120-130 million tons of steel (Winters & Yusuf, 2007:60-61).

III. India's Economic Projections in 2030

GDP growth

India is one of the three countries (China and Brazil) contributing about 45% of the global Gross Domestic Product (GDP), Deutsche Bank predicts that while India has a bright future, India will maintain its high growth trajectory of around an average of 6% annually for the next 10 to 15 years. Real GDP growth can reach 7% to 8% per year. According to economists from Deutsche Bank Jennifer Asuncion-Mund, India will emerge as the fastest of the 34 new markets over the next decade and a half. Its GDP per capita (based on purchasing power parity) will double by $2,500 to $5,000 (Rajadhyaksha, 2007:23). According to World Bank data, India is projected to be the country with the fastest growth rate among the world's largest economies at 6.7% between 2025/2026 and 2026/2027. The services sector is expected to enjoy continued expansion, manufacturing activities are anticipated to strengthen and government initiatives support to improve logistics infrastructure and improve the business environment through tax reform (World Bank, 2025:86-87). According to the International Monetary Fund (IMF), the global economic market is measured based on purchasing power parity in 2000 as much as 4% and in 2023 it will increase to 7.5%, this makes the IMF projecting that India's purchasing power parity can increase by around 10% in 2030 (European Commission, 2024).

Economic Sector Transformation

A major sector change, from the agricultural to industrial and service sectors, with an emphasis on technology and renewable energy. India has been very prosperous since the early 2000s, in the World Bank's records India is included in the three largest economies number two after China followed by Brazil in number three, the result since the early 2000s has recorded an average annual economic growth of 5.9 percent. This is due to a massive increase in capital flows, demand from various commodity sectors and supported by the expansion of global supply chains due to the ease of infrastructure. This is the best development performance in the early 20th century,

after previously in the 1970s it had experienced an average growth of 6.1 percent (World Bank, 2025:105).

Challenges Faced by India

Social and Economic Inequality: The gap between urban and rural areas and the challenges of poverty alleviation.

The overarching goal of India's economic development is to achieve a socio-economic system where the Indian people have the opportunity to live a better life. Since the beginning of independence, there have been a number of government programs to alleviate poverty and job creation programs, but until 1980 there was no decrease in poverty. India's Five-Year Plan (2002-2007) targets a reduction in poverty, hunger, mortality and illiteracy (Srinivasan, 2003:29-30). Inequality in India is very high, especially among the rural poor, so there is a need for policies that regulate poverty alleviation in rural areas (Winters & Yusuf, 2007:28). The poor quality of rural infrastructure is recognized as the greatest obstacle to reducing social inequality, in addition to the need for quality health and education services for the poor. In addition, it opens opportunities for people's business loans to open up job opportunities in the non-formal sector for the community.

Inequality in India is also brought about by the increase in wage differentials in education level categories and that gap ultimately reflects a competitive labor market. The global labor market is also changing due to the demographics of India, around 15 million Indians are expected to become the workforce every year. In addition to the issue of economic reform, there are 2 issues that are no less important than that. First, there must be a financial sector that collects savings and directs the economy to productive activities. second, India can gather a demographic of millions of people who are entering productive age with people who have education and skills, it is useless to have a workforce of millions but does not have the skills to do productive work (Rajadhyaksha, 2007:63-65).

Conclusion

India’s large demographic dividend positions it as a future economic powerhouse, alongside China, provided it overcomes challenges in economic restructuring, industrial growth, education, and workforce skill development. With its population playing a key role in global multinationals and dominating the software and service sectors, India attracts significant foreign investment—evolving from call-center outsourcing to high-value capital investments. Its competitive edge lies in a highly skilled, low-cost workforce, particularly in technology and services, contrasting China’s manufacturing strength. As India liberalizes its economy, social disparities persist, but advancements in education and tech proficiency bolster its global standing. Future research should explore India’s comparative economic trajectory with China, its influence on ASEAN and BRICS nations, the global labor market impact of its workforce, the sustainability of its education-driven growth, inequality mitigation in a liberalized economy, and its potential rise as a geopolitical rival to the U.S. and China, particularly in AI, renewables, and pharmaceuticals. These studies will clarify India’s role in reshaping global trade, labor dynamics, and economic power structures.

References

Winters, L. Alan & Yusuf, Shahid. (2007). Dancing With Giant China, India And The Global Economy. Singapore: Institute of Policy Studies.

Gulati, Ashok., Fan, Shenggen & Delafi, Sara. (September, 2005). The Dragon and the Elephant: Agricultural and Rural Reforms in China and India. Washington: International Food Policy Research Institute.

Winarno, Budi. (2009). Pertarungan Negara VS Pasar. Jakarta: MedPress.

Rajadhyaksha, Niranjan. (2007). The Rise of India Transformasi Dari Kemiskinan Menuju Kemakmuran. Jakarta: Kompas Gramedia.

Srinivasan, T. N. (Oktober, 2003). Indian Economic Reforms: A Stocktaking. Stanford Center for International Development, 190.

Sarkar, Ranjan. (2018). Made In India History of Post Independence Economic & Industrial Development In India. Chennai: Nation Press.

ESCAP Economic and Social Commission for Asia and the Pacific. (2022). India. https://www-population--trends--asiapacific-org.translate.goog/data/IND?_x_tr_sl=en&_x_tr_tl=id&_x_tr_hl=id&_x_tr_pto=tc

European Commission. (15 November, 2024). India's economic surge: from regional to global economic player. https://economy--finance-ec-europa-eu.translate.goog/economic-forecast-and-surveys/economic-forecasts/autumn-2024-economic-forecast-gradual-rebound-adverse-environment/indias-economic-surge-regional-global-economic-player_en?_x_tr_sl=en&_x_tr_tl=id&_x_tr_hl=id&_x_tr_pto=tc