

India as Knowledge Economy: Status, Challenges & Solution

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Abstract : *Neo -classical growth theory come out as a path breaker by considering knowledge as a major component of economic growth, instead of considering economic growth led by productivity. Recently, global economies has also started recognizing the contribution of knowledge to total factor productivity and consequently to sustainable long term economic development .Keeping in view the emerging trend, this paper analyze the status of India as a knowledge economy at national and global level and trace the issues which come in the way of India to become a knowledge based economy.*

Keywords- knowledge economy ,KEI, status, issue

1. INTRODUCTION

The term “knowledge-based economy” results from a fuller recognition of the role of knowledge and technology in economic growth. Knowledge, as embodied in human beings (as “human capital”) and in technology, has always been central to economic development [1]. In the last few years , importance of knowledge is recognized in economic development as it play catalyst role in making country more dynamic.

There are certain elements which are essential for a country , in order to transform itself into a knowledge economy, which includes – investment in education, incentives to innovations, up-to-date information infrastructure and competitive and cooperative economic environment. Collectively, these elements constitute the framework of knowledge economy

Thus, investment in these four pillars of knowledge economy required to create its simultaneous effects on consumption and production sector, which will automatically assured the sustained economic development accompanied by social and economic welfare. Thus, being one of the largest economies and fast growing economy (GDP growth rate: 7.6% in 2017), it is essential to trace the status of India in terms of becoming knowledge economy.

2. REVIEW OF LITERATURE:

D.Chen,C.Dahlman ; analysed the importance of knowledge for long term economic growth by introducing the knowledge economy framework.Paper also explained the knowledge assessment methodology (KAM) used by world bank.

3. Research methodology and objective

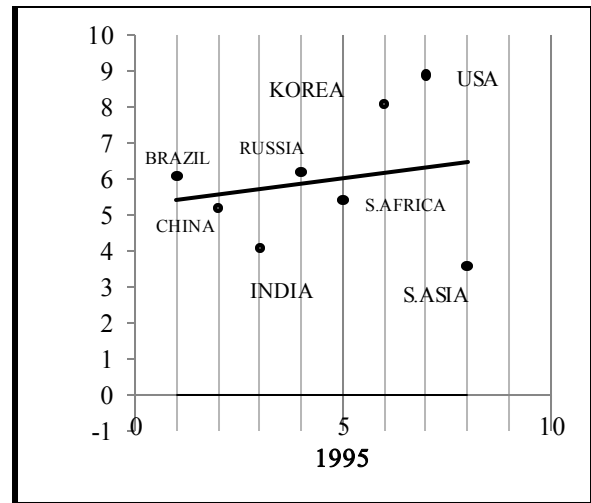
The study was based on the secondary data collected from websites books research paper etc. There are three major objectives of the study:

- i. To analyze the status of India as a knowledge economy at both national as well as global level ;
- ii. To examine the challenges in the way of India to become a knowledge economy ;
- iii. To provide suggestions to overcome those challenges.

4. STATUS OF INDIA AS ON KNOWLEDGE ECONOMY:

4.1 India's position in the Global knowledge economy:

There are various methods used and developed to analyze nations performance in terms of knowledge readiness. Among them, one globally recognized method is knowledge assessment methodology (KAM) was developed by world bank to benchmark countries position relative to others in the global knowledge economy. India's position in the global knowledge economy was analyzed through three indicators which are explained below :



Source: World Bank ,knowledge assessment methodology ,<http://www.worldbank.org/kam>.

4.1.1 Knowledge economy index (KEI):

Knowledge economy index is the average of the performance score of a country on the focus performance of knowledge economy. Figure. 14.1.2 shows the performance of India in KEI at global scenario.

Although, from figure .1, it was cleared that India's performance not improved since 1995 ,but it was only performing well then South Asia region , thus still more need to be done to fully utilize knowledge for its development.

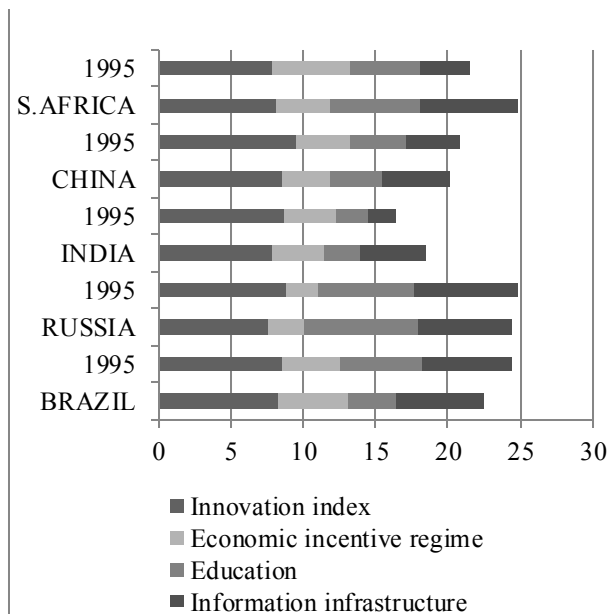
Figure .1 Knowledge economy index : India and the world,1995 and most recent period.

India and four pillars of knowledge economy:

India's position can also be analyzed at global level on the four individual pillars of the knowledge economy as shown in figure 2.

It was clear from the figure below that all countries ,except S.Africa and India, have improved their recent performance since 1995 , in comparison to 1995 .Overall KEI score of India slightly shift in back position due to non appreciable performance in the education pillar and in information infrastructure pillar, completely contrary to its major competitors China ,which has marked its position at global level in information infrastructure.

Figure .2 CROSS COUNTRY COMPARISONS ON THE FOUR PILLARS OF A KNOWLEDGE ECONOMY,INDIA & COMPATITORS, 1995 & MOST RECENT PERIOD



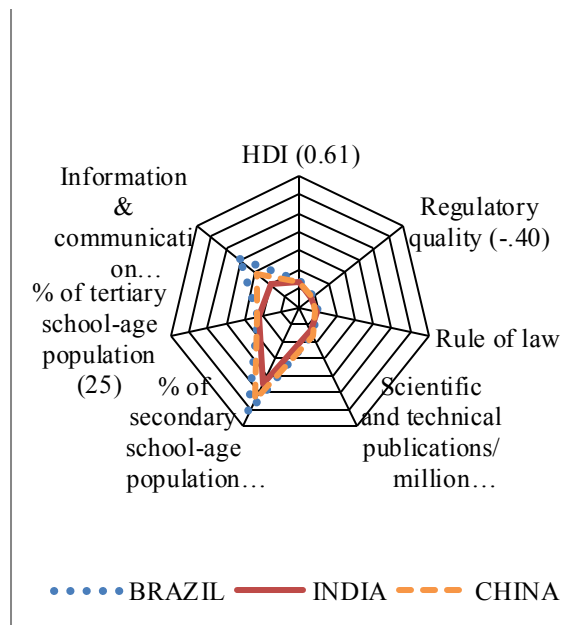
Source: World Bank ,knowledge assessment methodology ,<http://www.worldbank.org/kam>.

4.1.3 *India's knowledge economy scorecard:*

Scorecard of nation includes three variables for each of the four pillars of the knowledge economy ,accompanied by one variable of performance HDI as shown in figure 3.

India's performance is not appreciable if it was compared with its closest competitor Brazil and China. It can be interpret from figure 3 that India was able to mark its presence among other nations only in the case of indicators related to economic and institutional regime(regulatory quality and rule of law) but still lags behind China and Brazil relative to the indicators of information infrastructure ,researchers and education pillar of knowledge economy.

Figure .3 India, China and Brazil knowledge economy scorecard

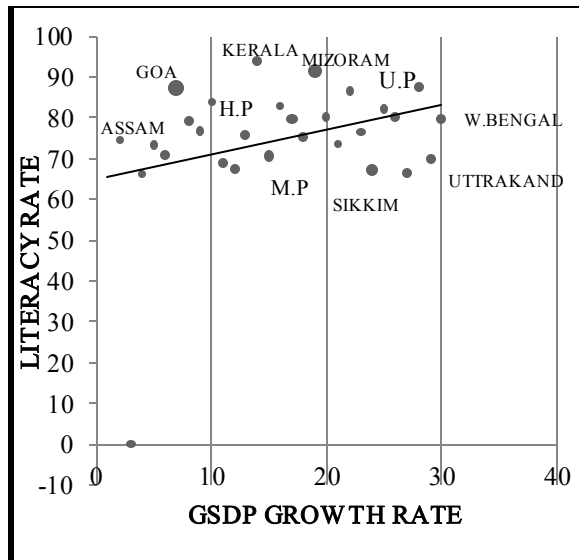


Source: World Bank ,knowledge assessment methodology ,<http://www.worldbank.org/kam>.

4.2 Indian states and knowledge status :

After analyzing India status as a whole in the global knowledge economy, it will be appropriate to analyze the status of education within the country a glimpse of Indian states knowledge status is shown in figure 4 below.

Figure 4 STATE GDP AND LITERACY RATES



SOURCE: Census of India. (2011). State of Literacy. *Provisional Population Totals - India*, 1-

5 . Issues& solutions :

Some of the main issues which come in the way of India to transform itself into any knowledge economy were discuss below:

- .Efficient utilization of public resources required to improve the quality and efficiency of education system and system must be developed in such way that it will full field global and domestic market labor related requirements.
- more focus on the primary and secondary education in terms of quality.
- inducement and support to all higher education in order to improve their quality, instead of focusing on certain like IIT.
- Inducement to private sector to make investment in research and development.

- In order to transform to a knowledge economy, India required integrating the demand of the market into the education system..

- In order to recognize its position in emerging global innovation market India also required progressive patent laws and a robust IPR regime.

5. **The** arena of innovation not to be limited to few areas or sectors. For instance, in India R&D is always supposed to be linked to science related field like pharmaceutical, and so on and that s why research in these areas normally more funded and sponsored, which ultimately discourage the investment in research and development related to others streams or field.

6. New product development is necessary for intra industry trade as commodities involved in intra industry trade is equally profitable as inter industry trade commodities.

7. Absence of proper planning, lack of effective project management methods and lack of technical literacy are major challenges for managing a ICT projects in India.

Solution

In order to tackle down above shows following steps and strategy required to be adopted

- Defining priorities and establishing budgets
- Adopting systemic, integrated approaches for the different policy planks at all levels of government
- Mobilizing state governments, which are key to the Indian economy and its modernization
- Multiplying experiments and publicizing concrete initiatives that clearly exemplify the move to a knowledge-based economy.

6. Conclusion

Although , India is able to mark its position in the global scenario as one of the emerging nations, but still transforming itself into a knowledge based economy is hard nut to break ,in the fast growing technical global environment .It will be beneficiary for India to fully utilize its human resources by making investment and focusing to increase its productivity , in order to generate spread effects as done by China.

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