INNOVATIVE PATH TO ECONOMIC DEVELOPMENT IN A DEVELOPING COUNTRY LIKE INDIA

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ABSTRACT
Innovation is considered as a key player in today’s world catering to the needs of the masses. It has been empirically proved that there exists a link between innovation and inclusive growth. Innovation refers to a new idea, a more effective device or process. This is made possible through effective products, processes, services, technologies or ideas that are easily available. In business and economics, innovations can be seen as catalyst to growth. India can be considered as a restless nation with demand for change coming from different sections of society. It is very essential that India harnesses her innate creative potential to sustain competitiveness, economic growth and rising standard of living. It is here that innovations play an important role. The need for innovation arises for providing employment to the youth, catering to the demand of the ‘middle class’ and bringing about balanced economic and human development. In view of the gravity of the situation the Indian Government has been taking a number of initiatives such as establishment of National Innovative Council and introduction of new science, technology and innovation Policy 2013. She faces a number of challenges such in the form of absence comprehensive policy, inadequate funding, lengthy and cumbersome procedures, few deals, non-conducive education policy, inadequate infrastructure facilities particularly in the rural areas, prevalence of risk aversion among entrepreneurs and inadequate intellectual property rights. India has been initiating reforms and the process of growth is slow. With the right policy mix and changed mindset of the people she can encourage and faster the aspersions of her young millions.

Keywords: Innovation; Inclusive Growth; Emerging Middle Class; Science and Technology

INTRODUCTION
Innovation can be looked at as the key change driver around the world – intervening with the aim of providing accessible and affordable solutions to ever-changing consumer needs. It can be considered to be an important ingredient, in the process of improvement of the performance of both the individual and institution. It may not be possible to sustain the existing standard of living by existing tools of development. Often, organizations come across situations which require radical changes and it is only innovations that can facilitate transformation.

Globalization can be considered as a product of innovation. Empirical evidence suggests that there exists a definite link between technological innovation and inclusive economic growth. Inclusive growth implies that the fruits of development are equitably distributed among all sections of society.

This Paper attempts to look into the concept of innovation, the innovation scene in India – the importance of innovation in a developing country like India; the measures adopted by the government; the hurdles to be encountered; and the future of innovative growth in our country.
OBJECTIVES OF THE STUDY

The Paper is based on the following objectives:

1. To study attempt as to examine the concept of innovation and its relevance to inclusive growth
2. To know the Indian situation and the policy measures being adopted from time to time
3. To understand the challenges confronting innovative growth in India
4. To know on the future prospects

Concept of Innovation

Innovation refers to a new idea, a more effective device or process. This is made possible through effective products, processes, services, technologies or ideas that are easily available. In business and economics, innovations can be seen as catalyst to growth. It was the well-known economist Joseph Schumpeter who contributed greatly to the study of innovation economics.

According to Peter Drucker, the general sources of innovation include changes in - industry structure, in market structure, in local and global demographic, in human perception, in the available scientific knowledge etc.

Innovation can be considered as a tool which can provide means for creation of sustainable and cost effective solutions for inclusive growth in developing economies.

Innovations and Indian Economy

India can be considered as a restless nation with demand for change coming from different sections of society. The members of the ‘emerging middle class in particular are demanding new customized solutions to address unmet demands. In fact efforts are being made for ensuring that economic growth is accompanied by human development.

Characteristics of the Indian economy

One, she is a young country with rising expectations. The Indian youth seek employment. Unfortunately, India produces graduates year after year who are unemployable. The need arises for providing greater employment and for making the youth employable;

Two, subsequent to India’s rising GDP, an ‘emerging middle class’ characterizes our economy. This class is seeking new proportions. This requires investment in Research and Development. India’s investment in Research and Development is estimated as 0.8% of GDP which is significantly lower than US (2.7%), China (1.9%) and Korea (3.8%);

Three, there is urgent need for balanced economic and human development. India is lagging behind all nations in terms of index parameters such as health, education and income.

One of the major factors responsible for India lagging behind her counterparts, has been the below par performance of all its enterprises be it government bodies, corporate sectors or education institutes.

The absence of adequate growth finance results in limited adoption of technology which creates system inefficiencies and low national productivity. New ventures require talent as is evident in the case of software sector in India.

A Need for Innovative Growth in India

It is very essential that India harnesses her innate creative potential to sustain competitiveness, economic growth and rising standard of living. The three pillars are Right Platform, Public Private Partnership and Building a skilled talent pool of professionals. It is here that innovations can play an important part. Let us look into the need for innovations in the Indian context:
Firstly, innovation will help facilitate economic transformation through human development. It is essential for India to improve her Human Development Index (HDI). India’s HDI in 2013 was 0.59 which was below the world average of 0.70. HDI is a summary measure of average achievements from the viewpoint of three dimensions – that is – long and healthy life, being knowledgeable and having a decent standard of living.

Secondly, innovative path of development helps to address development challenges such as providing access to drinking water, eradicating neglected diseases and reducing hunger.

Thirdly, history shows that buildup of innovation capacities has played an important role in economic development, as an early built up innovative capacity will help the country to ‘catch up’ with the following path.

Fourthly, India has to move from being tagged as developing to being called developed. This requires a strong scientific base, investment from both private and public sectors and a right mix of policies which encourage Research and Development, thus making the case of innovations stronger.

**Objectives and Mechanism of Innovation in A Developing Country Like India**

The following are the factors which a country like ours should adopt:

1) In order to generate the necessary outcome innovation has to respond to local conditions;
2) The need is for inclusive innovation, particularly for the low and middle income households, for improvement of welfare and for providing access to business opportunities. Mobile services and Nano cars can be considered as examples of this;
3) Innovations have to address environmental, health and social challenges with the help of local efforts;
4) Innovations have to help the economy climb the value ladder in global value chains. For example India’s prowess in the Software industry is universally acclaimed.

Research and Development has played an important role in the take-off of Asian economies like China, India and Korea. India has focused strongly on the IT Services. One can in this context cite the example of the Green Revolution of the 60s, which led to the introduction of High Yielding Variety of seeds and increased use of fertilizers and irrigation. This helped in increasing food production. Apart from raising agricultural productivity, it directly addressed the problem of food scarcity among the poor.

**Role Of The Government In Promoting Innovation**

India no doubt has a large public funded science and technology infrastructure and a sizeable education system. She has not been able to realize her innovation potential, on account of fragmented innovation ecosystem.

Two important steps in this direction are:

a) Establishment of National Innovative Council which has to coordinate various innovative related activities and

b) The introduction of the New Science, Technology and Innovation Policy 2013 which aims at promoting entrepreneurship and science led solutions for sustainable and inclusive growth.

India has one of the largest shares of young population, which accounts for 31% of the total population. The government aims at creating greater employment opportunities while focusing on economic growth. In fact in March 2010, the then President of India Mrs. Pratibha Patil declared the current decade as ‘Decade of Innovation’.

Various governments in India have given priority to science, technology and innovation and therefore India has evolved a large publicly funded Research and Development structure. There are various
councils and research structures under different industries catering to different research areas and are distributed around the country., for example CSIR (Council for Scientific and Industrial Research; ICAR (Indian Council for Agricultural Research), ICMR (Indian Council of Medical Research) and DRDO (Research and Development Organization).

There are hundreds of universities in the public sector including institutions of National Importance along with in-house Research and Development Centres and NGOs. Most importantly there are financial institutions like IDBI (Industrial Development Bank of India) and SIDBI (Small Industries Bank of India) who can initiate and foster research.

Challenges Confronting the Indian Innovation Process

The Indian innovation ecosystem and key entrepreneurship faces challenges as discussed below:

One, as of now there is no comprehensive policy which focuses on innovation and entrepreneurship. Besides there is absence of a uniform mechanism which would help in operating the fragmented policies. The consequence is lack of desired results. Two, there is inadequate funding for Research and Development. In the years 2011 and 2012 less than 1 % of GDP was allocated for research and development.

Three, difficult and lengthy procedures are involved. In spite of funds being available from banks and public sources, the procedures for accessing such funding are often complex, cumbersome, lengthy and bureaucratic leading to wastage of time and energy.

Four, as regards angel, venture capital and seed funding, magnitude of deals are very few and fall short of India’s requirements.

Five, there exists weak link between stakeholders. There is absence of easy exchange of manpower between industries or academia or Research and Development institutions. This limits the capacity for mutual understanding and technology transfer.

Six, Indian education system is non-conducive. The system is focused on grades and careers and not oriented towards innovations and entrepreneurship. It produces graduates year after year who are not suited to innovative industries and entrepreneurship.

Seven, poor infrastructure facilities exist particularly in the rural areas. Basic infrastructural facilities such as electricity, internet, roads and rail are not evenly distributed and are often inadequate in smaller cities, towns and rural parts. This limits the scope for innovations and entrepreneurship to flourish in such areas.

Eight, risk aversion prevails among entrepreneurs. Entrepreneurs are averse to taking in new ideas because of risks involved. This includes low availability of high cost funds that often arrive late. Consequently they look for minimum risks and high returns.

Nine, there is inadequate protection of Intellectual Property Rights. For most entrepreneurs patents and other forms of protection take a long time and involve high cost.

India is increasingly becoming a global innovator for high-tech products and services. However, the performance of the Indian economy is not in keeping with her innovative potential. To realize her innovative potential India will have to:

1. Encourage stronger competition among entrepreneurs. This would help improve the investment climate, to be supported by stronger skills, better information infrastructure and greater public and private finance.
2. Greater efforts for creation, commercialization and dissemination of knowledge. The smaller enterprises could be encouraged to absorb such knowledge.
3. Steps have to be taken at the grass root level and should also involve weaker sections of society.
Future of Innovative Growth in India

In the last few years, India undoubtedly has emerged as a significant global player in several areas of science and technology. However, she faces stiff competition, ranking as low as 66 among 142 countries in terms of Global Innovation Index. Our education system, is characterized by dichotomy: with having few best institutions on one hand and poor ones lacking the most basic facilities on the other. She has to make serious efforts to improve the situation if she has to make her mark as a Global Player.

Science led innovations are important ingredients of growth and development, as also general social and economic well-being. It is necessary to meet the aspirations of the youth of the country for better quality of life and this requires investment in science and technology.

India’s performance in science, technology and innovations over the last fifty years has been lopsided. While she occupies significant global space in Information and Communication Technology, pharmaceuticals and skill-intensive manufacturing sector, she faces acute differences between formal and informal sectors, urban and rural areas and educated elite and rural masses.

India’s innovative capacity is underutilized with her youth living in abject poverty and equipped with low skill sets. To sustain competitiveness and long term growth momentum, India needs to usher in inclusive innovations aiming at economic, social and environmental sustainability.

CONCLUSION

India can be considered as a large heterogeneous country, characterized by youth seeking employment. The country undoubtedly is on the right path to growth being commonly termed as ‘an emerging economy’. The rate of growth, however, has been slow. Realizing the gravity of the situation the Government has been initiating a number of reforms.

In the last twenty years there has been a definite thrust towards science, technology and innovation. The investments however, are yet to yield the desired fruits. The country faces formidable challenges. But with the right policy mix and changed mindset, the desired results would only be a matter of time. This would encourage the potential and enthusiasm of the youth who wish to follow the path of innovative entrepreneurship.

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