



An Optimistic India: The Power of Policy Choices

To BCG's network around the world,

It's great to be back in Asia! After more than two years without a visit here, I was in India and Singapore last week and Japan this week. It's a joy to reconnect with colleagues and clients in person.

One of the most striking parts of my visit so far has been my four days in India and the optimism that underpinned so many of my discussions there. There are many reasons for that optimism, including the rising strategic importance of India in a more divided and geopolitically complex world. But what stood out for me was the degree to which bold policy decisions made years ago have contributed to where India is today and the outlook for its future.

I remember in particular a visit in 2017, when I was impressed by the breadth of policy changes underway, particularly given how difficult it had been to reform India's economy in the previous decades. From a universal citizen-identifier system (Aadhaar Authentication) to a new goods and services tax (GST) to massive bankruptcy reform, the changes were bold and challenging to implement—and, to varying degrees, controversial.

But now we are seeing the substantial momentum that these changes have helped generate. India is on track to have the largest economic growth of a major country this year and is well positioned to continue its momentum despite a challenging global outlook.

The Aadhaar system, enabling 440 million zero-cash bank accounts, provided a way to get cash directly to lower-income Indians during the COVID-19 pandemic and

avoid the inefficiency and potential corruption of intermediaries. It has also allowed for a low-cost and nearly universal banking and payments infrastructure, including for the fruit vendor in front of our office. And the country has embraced the “tech stack” as a driver of many more services, including the recent push for ABHA (Ayushman Bharat Health Account), which builds interoperable digital health services.

The bankruptcy laws have brought new discipline to capital formation, helping realize a better balance of power between large corporates and lenders and serving as a deterrent for borrowers, hence reducing nonperforming loans. The new tax model has brought transparency, shrunk the hidden economy, and created a robust and growing source of revenues.

And digital platforms are in place to link all these innovations together with other reforms.

India also has about 100 unicorns, boasts many second-generation entrepreneurs, and is increasingly at the edge of innovation, including in climate, where it has unique assets and strong government support in key areas. And the country has made impressive advances in food security, preparing it for crises, including an ongoing heat wave.

All of this is a reminder that now, more than ever, we need to take on bold initiatives that tackle inequity, economic reform, climate, health, crisis preparedness, and more. The choices that need to be made are often hard, but the effectiveness of their design and implementation can have massive implications for years to come.

Business leaders have a key role to play in this area, through direct efforts and through their leading business associations. Incentives to defend the status quo can be plentiful, but leaders have a responsibility to look beyond. It’s great to see this happening in India. With continued progress, these policy choices will contribute to faster growth, greater opportunity, and better lives for more than 1 billion people in the years to come.

Until next time,

A handwritten signature in dark ink, appearing to read "Rich", is located at the bottom left of the page.

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