Indian Economy · GS - III

Examine how the rapid expansion of Artificial Intelligence is transforming the business models of technology companies and creating new economic challenges.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 30/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Generative AI; digital advertising; changing consumer behaviour; infrastructure investment; data centres; profitability; technological competition; AI governance

Model Answer

Introduction

Artificial Intelligence is transforming the digital economy by changing how information is accessed, processed and monetised. The expansion of generative AI is also creating new opportunities and financial challenges for technology companies.

Transformation of Business Models

1. Changing Search Economy

AI-powered search provides direct answers and summaries, potentially reducing traffic to conventional websites and affecting advertising-based revenue models.

2. Rising Infrastructure Costs

Developing and operating large AI models requires specialised chips, data centres, electricity and skilled professionals, increasing capital and operational expenditure.

3. Competitive Pressure

Technology companies must continuously invest in research and innovation to maintain their market position.

Economic Challenges

- Uncertain returns on large AI investments.
- Potential pressure on profit margins.
- Market concentration and unequal access to computing resources.
- Data privacy, algorithmic bias and intellectual property concerns.

Way Forward

Companies should focus on sustainable AI monetisation, energy-efficient computing, transparent governance and responsible innovation.

Conclusion

AI offers substantial economic opportunities but may disrupt established revenue models. Balancing innovation, investment and financial sustainability will be crucial for the technology sector.

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