Indian Economy · GS - III

Global capital movements and the concentration of investment in emerging technologies can create opportunities as well as risks for India. Examine the implications for India's financial stability and technological development.

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MARKS	WORD LIMIT
15	~250 words

Answer Hint

Global capital flows; US financial markets; foreign portfolio investment; AI investment boom; currency volatility; capital outflows; domestic savings; research and development; innovation ecosystem; financial regulation; strategic autonomy.

Model Answer

Introduction

International capital flows influence investment, exchange rates and financial market stability. Concentration of global funds in US markets and artificial intelligence-related businesses can affect India's access to capital and its technological development.

Implications for India

1. Financial Market Volatility: If investors shift funds towards US assets, emerging markets may experience portfolio outflows, declining equity valuations and currency pressure.

2. Cost of Capital: Persistent outflows can raise financing costs for Indian companies and complicate investment planning.

3. Technological Opportunities: Global investment in AI can accelerate innovation, productivity and digital transformation. Indian firms can benefit through research partnerships, investment and access to advanced technologies.

4. Risk of Concentration: Excessive dependence on external capital and imported technological infrastructure may expose India to global financial shocks and supply-chain disruptions.

5. Domestic Investment Needs: India must expand its research capabilities, skilled workforce, venture capital ecosystem and private-sector investment to capture the benefits of emerging technologies.

Measures Required

India should maintain sound macroeconomic fundamentals, deepen domestic capital markets and attract stable long-term investment. Strong disclosure norms, prudent financial regulation and monitoring of systemic risks can limit market instability.

Investment in universities, research institutions, digital infrastructure and indigenous AI capabilities should be increased. Strategic partnerships and diversified sources of technology can reduce dependence on a narrow set of external suppliers.

Conclusion

Global capital movements should be managed through resilience rather than isolation. A stronger domestic investment ecosystem, credible regulation and sustained technological innovation can help India benefit from global opportunities while limiting financial vulnerabilities.

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