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The economics of artificial intelligence - Global shifts and India's ascent as the world's AI hub

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Abstract
Artificial Intelligence (AI) has transitioned from a futuristic promise to a tangible economic force, fundamentally altering productivity paradigms, labour markets, and global competitive dynamics. This paper analyzes the macroeconomic impact of AI, drawing on recent data from 2025-2026 to illustrate its differential effects across economies. It finds that while the global economy stands to gain a significant productivity boost, the benefits are contingent on infrastructure, policy, and adoption strategies. The paper then focuses on India's ambitious play to become the global AI hub, examining the outcomes of the 2026 India AI Impact Summit. Finally, it proposes a comprehensive policy roadmap for the Indian government to translate ambition into reality, focusing on infrastructure, talent, and a balanced innovation-first governance model.

Keywords: Artificial intelligence economics, AI-driven economic growth, digital transformation, automation and labour markets, AI policy and governance, innovation ecosystems, human capital and AI skills

Introduction

The year 2025 marked a pivotal shift for artificial intelligence. According to Commonwealth Bank analysis, AI moved from "promise to real economic impact," with investment, profits, and productivity gains materializing at scale. Unlike previous technological bubbles, the current AI boom is distinct. Leading firms—the "hyperscalers"—are funding massive capital expenditures (exceeding $500 billion annually in the US) from operating cash flows rather than debt, providing a more stable foundation for growth.

This paper posits that AI represents a general-purpose technology that will act as a catalyst for a new wave of global growth, but its economic benefits will not be automatic or evenly distributed. It will favour nations that build sovereign infrastructure, foster agile adoption, and craft forward-looking governance. India, leveraging its digital public infrastructure and demographic dividends, is positioning itself to not just participate in this wave, but to lead it.

Objectives of the Study

1. To Analyse the Global Economic Realignment Caused by AI Diffusion.
2. To Identify the Key Macroeconomic and Policy Drivers Propelling India's Emergence as an AI Hub.
3. To Evaluate the Economic Impact and Sustainability of India's AI-Led Growth Trajectory.

The Macroeconomic Impact of AI: A Global Overview

The economic signatures of AI are becoming increasingly clear, with measurable impacts on growth projections, productivity, and investment flows.

1. Growth and Productivity Projections

AI is expected to provide a tangible boost to the global economy. Kristalina Georgieva, Managing Director of the International Monetary Fund (IMF), stated at the 2026 AI Summit that AI could accelerate global growth by 0.8%, a significant uplift in a post-pandemic world characterized by slower trends. This aligns with other forecasts suggesting a productivity boost of 0.8-1.0 percentage points for advanced economies over time as adoption deepens.

2. Labor Market Transformation, Not Extinction

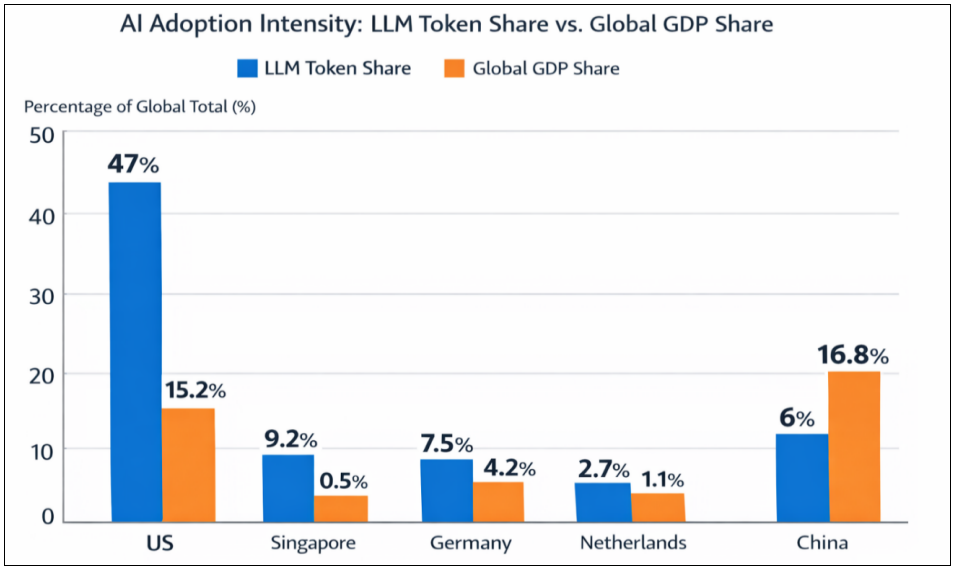
A primary economic concern is job displacement. The data suggests a future of transformation rather than mass unemployment. The IMF estimates that globally, about 40% of jobs could be affected by AI, with the figure rising to 60% in advanced economies. However, Anthropic's research on Claude.ai usage found that a "task augmentation" approach—using AI as a supplementary tool—accounts for 51.7% of total usage, compared to direct task automation. This suggests a collaborative model is prevailing, where AI enhances human productivity. Crucially, data from the US indicates that AI-created jobs have a multiplier effect, with one AI job creating 1.3 additional jobs in total employment.

3. The Investment and Infrastructure Boom

The physical backbone of the AI economy data centers is driving a surge in capital expenditure.

- **United States:** Hyperscaler CapEx is on track to exceed $500 billion annually, making AI investment a key driver of GDP growth.
- **Australia:** The data center pipeline is projected to exceed 6 gigawatts of capacity by 2030, potentially more than tripling current levels.
- **Global Divergence:** Morgan Stanley highlights that "national-level AI inequality will significantly affect global trade dynamics," pushing countries to pursue growth in their "domestic gross intelligence product".

The following chart illustrates the concentration of Large Language Model (LLM) usage relative to economic size, highlighting which nations are leading in adoption.



Source: Data compiled from OpenRouter token analysis (representing LLM usage) and World Bank GDP data, cited in LinkedIn analysis. The chart demonstrates that while the US dominates in absolute usage, nations like Singapore and Germany are adopting AI at a rate disproportionately higher than their economic size.

Fig 1: Global AI Adoption Intensity (LLM Token Share vs. GDP Share)

India's AI Ecosystem and the 2026 Summit Mandate

India is rapidly consolidating its position on the global AI map. The India AI Impact Summit 2026 in New Delhi served as a powerful declaration of its intent to lead, particularly on behalf of the Global South.

1. The State of the Nation: India's AI Stack

India's approach is holistic, building what the government calls the "full AI stack." Key achievements under the IndiaAI Mission include:

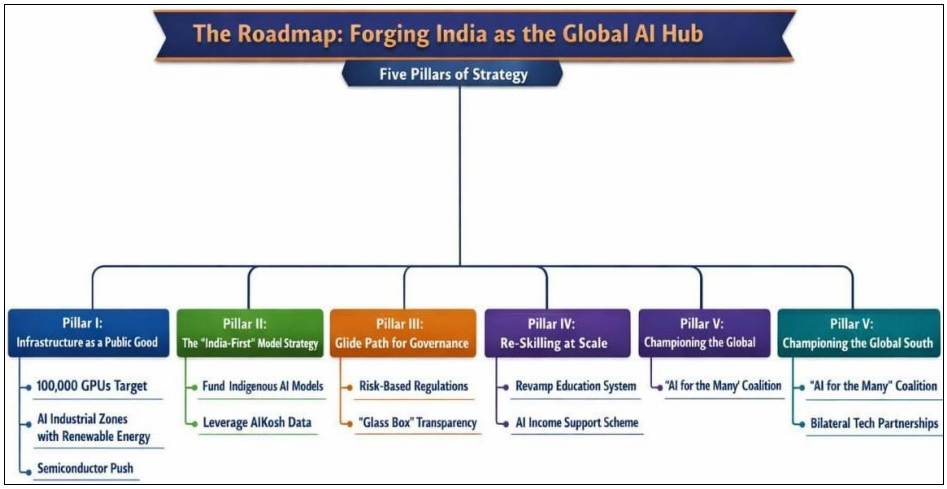
- **Compute:** Onboarded over 38,000 GPUs, with plans to add 24,000 more, offered at subsidised rates to startups and researchers.
- **Data:** Launched AIKosh, a national dataset platform hosting over 9,500 datasets and 273 sectoral models.
- **Talent:** Initiatives supporting over 500 PhDs, 5,000 postgraduates, and 8,000 undergraduates, alongside 570 AI Data Labs in tier-2/3 cities.
- **Investment:** Global tech giants are committing massive capital, viewing India as a critical market. Amazon has pledged $35 billion by 2030**, Microsoft **$17.5 billion, and Google $15 billion.

2. Key Outcomes of the India AI Impact Summit 2026

The summit was the first global AI gathering hosted by a developing nation and produced concrete frameworks.

- **The MANAV AI Vision:** Prime Minister Narendra Modi unveiled this framework to guide ethical AI. MANAV stands for Moral and Ethical Systems, Accountable Governance, National Sovereignty, Accessible Technology, and Valid Systems. It anchors India's approach in human-centric values.
- **Governance Philosophy:** The Seven Sutras: The official India AI Governance Guidelines were released, based on seven principles: Trust, People First, Innovation over Restraint, Fairness, Accountability, Understandability, and Sustainability. This rejects a heavy-handed regulatory approach in favour of a principle-based, enabling framework.
- **Global Consensus:** The summit saw participation from 118 countries and leaders like France's Macron and UN's Guterres, who endorsed a "shared roadmap for global AI governance" that includes a proposed $3 billion fund for AI capacity building in poorer nations.

The Roadmap: Forging India as the Global AI Hub



To translate the summit's vision into reality and secure its place as the world's AI hub, India must execute a multi-pronged strategy across five critical policy dimensions.

Pillar I: Infrastructure as a Public Good

India's "compute as a public good" model is its greatest strength. To build on this:

- **Scale Compute Targets:** Aggressively pursue the target of 100,000 GPUs under the IndiaAI Mission. As Minister Ashwini Vaishnaw stated, India aims to attract global data for processing and delivery of high-value digital services.

- **Energy Security for Data Centers:** With data center energy consumption soaring, India must leverage its strength in renewables. As Morgan Stanley predicts, AI players will seek direct control over energy infrastructure. India should create "AI Industrial Zones" co-located with solar/wind farms to guarantee 24/7 clean power to hyperscalers.

- **Semiconductor Push:** Accelerate efforts in chip design and manufacturing. While lagging in cutting-edge fabrication, India can dominate in specialized AI accelerators and chip design, leveraging its vast pool of electronics engineers.

Pillar II: The "India-first" Model Strategy

India's linguistic diversity (hundreds of dialects) presents a challenge for foreign AI models.

- **Fund Foundational Models:** Incentivize the development of indigenous, lightweight, and specialized AI models trained on India's diverse datasets. Minister Vaishnaw noted that over 90% of use cases can be solved by such smaller models at lower cost, which is key for affordability.

- **Leverage AIKosh:** Mandate the use of anonymized, diverse government datasets to train these models, ensuring they are culturally representative and free from Western bias, thereby creating a unique "Indian AI" value proposition for the world.

Pillar III: A "Glide Path" for Governance

The "Innovation over Restraint" Sutra is correct, but it requires a clear implementation plan.

- **Adopt a Risk-Based, Tiered Regulatory Approach:** Implement the recommendations of the proposed AI Safety Institute. Regulation should be light-touch for low-risk applications but stringent for high-risk sectors (health, finance, critical infrastructure). This provides clarity without stifling innovation.

- **Implement the "Glass Box" Approach:** As per PM Modi's call, establish clear "glass box" safety rules where AI systems, especially those interacting with citizens, must be auditable and transparent. This builds the trust that is the foundation of the governance framework.

Pillar IV: Re-skilling at Scale

To mitigate the job risks outlined by the IMF, India must launch the world's largest AI re-skilling program.

- **Revamp Education:** Integrate "learning how to learn" and AI fluency across the National Education Policy's curriculum, moving beyond rote memorisation.

- **Targeted Support for Mid-Career Workers:** Create a national "AI Income Support and Retraining" scheme for workers in the most exposed sectors (e.g., BPO, data entry). This would provide a safety net while funding their transition into AI-augmented or AI-created roles.

Pillar V: Championing the Global South

India's leadership of the Global South is a unique geopolitical asset.

- **Lead the "AI for the Many" Coalition:** Operationalise the UN Secretary-General's call for a $3 billion capacity-building fund. India can offer its DPI (Aadhaar, UPI) combined with AI models as an affordable, scalable "AI for Development" package to African and ASEAN nations, creating an ecosystem of allies dependent on and aligned with India's AI architecture.

- **Forge Bilateral Tech Deals:** Deepen the semiconductor and AI partnerships discussed with countries like France and the UAE at the summit to build resilient supply chains independent of any single nation.

Conclusion

The economic evidence is clear: AI is a profound lever for growth, and the race to capture its value is on. The India AI Impact Summit 2026 has laid a robust philosophical and strategic foundation. India possesses the raw ingredients digital infrastructure, political will, demographic dividend, and market scale to win this race.

However, ambition must be matched by flawless execution. By treating compute as a public good, building culturally resonant models, applying a light but clear regulatory touch, re-skilling its workforce, and leveraging its Global South leadership, India can achieve its vision. The mantra of "Design and develop in India, deliver to the world" is not just a slogan; it is the economic blueprint for a future where India stands not just as a participant, but as the definitive global hub for a human-centric, inclusive, and prosperous AI era.

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