



## POLICY CONCLAVE

### ECONOMIC IMPACT OF ARTIFICIAL INTELLIGENCE AND AUTOMATION

**Center of Policy Research and Governance (CPRG), in collaboration with Indian Institute of Management (IIM), Mumbai organised a Policy Conclave on the ‘Economic Impact of AI and Automation’ on August 30th and 31st, 2024.** The conclave featured panel discussions exploring the potential impact of AI on the Startup Ecosystem, Fintech Industry and Governance.

The event opened with a welcome address by the **Director of IIM Mumbai, Prof. Manoj Tiwari**, who provided an overview of the evolution of Artificial Intelligence (AI) through the decades. He set the stage for in-depth discussions by experts on the various applications and implications of AI

**Shri Sitaram Janardan Kunte, Former Chief Secretary, Government of Maharashtra**, in his inaugural address, expressed optimism about AI’s potential to revolutionise public service delivery, automate administrative processes, and optimise government operations to address structural inequalities. He also emphasised the challenges including ethical concerns, transparency and the risk of AI inheriting societal biases.

**Dr. V. Anantha Nageswaran, Chief Economic Advisor of India**, delivered the keynote address virtually on AI’s impact on employment and the labor market. He referred to AI-driven automation as the Fourth Industrial Revolution, which like previous revolutions will transform not just the economics but also the social and cultural fabric of society. He cautioned that “What can cure, can also kill”, warning of the risks to the labour market if AI is misused or misunderstood. He urged the technology developers, policymakers, academic institutions and government to ensure democratisation of AI and prevent its control by a few large firms.

**Dr. Ramanand Pandey, Director of CPRG India**, highlighted the significance of such dialogues for societal progress. He echoed Dr. Nageswaran’s view that it is essential to be prepared for technological shifts, rather than focusing on the pros and cons.

The first session Unlocking AI’s Potential in Indian Fintech featured a panel comprising **Mr. Abhinav Khare, Co-Founder & CEO, Odinmo, Mr. Hiren Sanghvi, Head of Trading, HSBC India, and Mr. Prasad Pimple, Executive Vice President & Head of Digital Business Unit, Kotak Life**, chaired by **K.S Ranjini, Associate Professor, IIM Mumbai**. The panel discussed the impact of AI on the fintech industry, emphasizing that AI can democratize fintech by delivering tailored products to consumers, benefiting both businesses and customers.

The panelists highlighted how AI is set to transform the sector by simplifying customer experiences, enhancing fraud prevention, and automating complex tasks like policy creation and data analysis. They compared the rise of AI to past technological shifts, predicting that AI-driven systems could soon replace traditional banking interfaces. The discussion underscored AI's potential to expand access to financial services, augment high-end jobs, and drive innovation, while also addressing concerns about bias and data privacy.

A key topic was whether consumers genuinely want the technologies being developed. The panelists acknowledged the challenge of achieving product-market fit and noted that larger corporations can afford to continue developing technology despite initial market resistance, unlike startups that rely on immediate adoption. In the insurance industry, AI is helping to increase transparency and reduce fraud. Regarding democratization and cost, the panel noted that as markets grow, per-unit costs generally decrease, benefiting consumers.

In the second session, AI Startup Ecosystem in India, chaired by **Mr. Alok Agrawal, (Co-Founder of DeepTech4Bharat Foundation)** the panel—featuring experts such as **Mr. Shashi Shekhar Vempati, (former CEO of Prasar Bharati)** ; **Mr. Sunil Gupta, (MD & CEO of Yotta Data Services)**; and **Mr. Tarun Mishra, (Founder and CEO of Covacsis Technologies)**—discussed the burgeoning AI startup ecosystem in India.

The discussion emphasised the expanding role of AI and its increasing relevance in addressing local challenges. The panel highlighted the opportunities for Indian AI startups to develop models tailored to local data, languages, and cultural contexts, contrasting this with the valuation-centric mindset prevalent among some Indian startups. The panel argued that India's focus should shift towards solving problems and developing core technologies rather than merely pursuing high valuations.

The current environment in India was described as highly conducive for AI startups, with strong government support, rapid technological advancements, and a large tech talent pool.

The panel also discussed the challenges facing the AI sector, particularly the need for high-performance computing infrastructure and publicly accessible datasets for training AI models specific to India. Overall, the sentiment was that India is well-positioned to emerge as a leader in deep tech and AI, provided it overcomes these challenges and seizes local opportunities.

The evolution of data centers in India was another focus, noting their growth from minimal presence in the late '90s to significant expansion driven by increasing technological demands. Despite generating a substantial portion of global data, India hosts only a small fraction domestically, highlighting the need for local data infrastructure to ensure data sovereignty.

A consultative paper prepared by CPRG in collaboration with AI4India.org was presented by **Mr. Pranav Gupta (PhD scholar at UC Berkeley, California)**, introducing the DataDaan Programme. This voluntary data-sharing program encourages individuals, private firms, and researchers to contribute data for AI development.

The third session, Transforming Governance through AI, chaired by **Prof. Poonam Singh, Associate Professor, IIM Mumbai** featured **Dr. R. Balasubramaniam, Member of HR at the Capacity Building Commission, Government of India (GOI); Ms. Sangeeta Godbole, former IRS officer and former Director General of the Services Export Promotion Council, GOI; and Mr. Ravishanker Srivastava, Principal Commissioner of Income Tax.**

The discussion emphasized the role of AI in enhancing public policy and improving administrative efficiency, highlighting that AI will be pivotal in aligning competencies with postings and promotions within the Indian bureaucracy, marking a significant turning point. The successful implementation of automation in ITR filing and challan payments, which strengthened the revenue department and increased transparency was also talked about. The importance of understanding how public service automation impacts both providers and recipients, cautioned the audience about the evolving nature of AI.

A key topic of discussion was how AI will impact employment generation, forecasting a significant rise in self-employment. The panelists highlighted the reduction in the workforce of the tax department, paired with improved tax collection methods through AI and automation, as an example of how jobs are changing.

In the concluding address, Prof. Sanjiv Varma, who served as the Convenor of the last session, presented the summary of the Conclave. Dr. Ramanand Pandey, Director of CPRG India, and Prof. Manoj Tiwari, Director of IIM Mumbai, wrapped up the event by highlighting an interesting insight: every emerging technology initially brings a major change to society as a whole, with the social, cultural, and economic impacts being merely by-products.

