

AI: India must contend with basic constraints

NEWS ANALYSIS

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As the AI Impact Summit drew to a close on Friday, it was clear the government sought to make India the centre of all things for AI in the world.

As per an OpenAI report on how Indians use AI, ChatGPT prompts take advantage of the firm's most advanced data analysis, writing and technical tools on the platform. This, the firm says, means Indians have largely closed the "capability overhang," the gap between what the latest large language models can do (LLMs) and what they're actually used for.

It is clear: India is addicted to the potential of AI. That will have massive consequences for how the Internet is used, how LLMs diffuse into firms and what lies ahead for knowledge work beyond the IT industry. As the implementation of Aadhaar, UPI and other such frameworks show, Indians either welcome or eventually embrace the use of digital technologies when it is possible to do so.



PM Narendra Modi at India AI Impact Summit 2026.

challenge: U.S. hyperscalers estimate collective data centre spending in hundreds of billions of dollars a year. The biggest infrastructure investments within India are now an outpost of this spending leading to a risk of India staying a net inference importer via foreign data centres.

The India Semiconductor Mission and hardware assembly initiatives have been largely executed with efficiency. But due to a mix of historical and economic reasons, the electronics manufacturing ecosystem is not a heavy-hitter holding strategic leverage beyond de-risking by multinationals seeking to avoid volatile outcomes of overly relying on China.

Human capital

If there are any structural green shoots in India's AI ecosystem, it is human capital. India faces the investment appetite to pay competitive salaries and struggles in many parts of the country to offer a quality of life that can urge many to choose the homeland over a different home for their children.

In the IT industry, Claude's latest models – doing in minutes what would take a human coder a day – spooked investors and further undermined its ability to act as a path to the middle class. The government's stated path so far has taken many of these limitations into account.

Infrastructure layer

A central problem is the infrastructure layer. AI has drastically disrupted the power efficiency of the Internet. The graphics processing units (GPUs) powering AI are expensive. The costs, however, are buried in the opex: AI needs millions of dollars' of power and inference in data centres add up hugely. Power costs are bound to be challenging.

India has the world's second largest AI user base, driven by wide Internet coverage. As such, inference costs may be huge. Availability of capital for local infrastructure development is a major chal-