Indian Economy at 75: Transformation and Challenges

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I. Introduction

At independence in 1947, India's first Prime Minister, Jawaharlal Nehru, recognized the nation's widespread poverty and very low per capita income. He understood that merely redistributing land assets would not be enough to raise incomes; sustained economic growth was crucial for improving the living conditions of the population. Nehru's strategy focused on expanding basic industries, power, infrastructure, and education under public control, while private investment in consumer goods was regulated through licensing and protected from foreign competition.

In 1950, three years after gaining independence, India adopted a secular and democratic constitution and embraced an economic development model centred on active state intervention. This approach, known as Import Substitution Industrialization (ISI), focused on building heavy industries within the public sector and developing basic industries to achieve self-sufficiency. The goal was to reduce dependence on foreign imports and protect domestic producers from external competition. Between 1950 and 1980, under the policy of dirigisme, India saw annual employment growth of only 2 percent. While this rate may have kept pace with population growth, it also led to a backlog of unemployment. By 1990, the economy's growth had become stifled, and the state faced increasing difficulties in sustaining it due to a growing fiscal crisis. This critical situation prompted a shift away from dirigisme toward pro-market reforms. In 1991, India transitioned to a neoliberal regime, which involved the removal of licensing restrictions and the liberalization of cross-border flows of goods, services, and capital (Bardhan, 2022). Despite these reforms, the country continues to face challenges, particularly rising unemployment, especially among the youth. The UNDP's Human Development Report reveals that India's global ranking dropped from 130 in 2020 to 132 in 2021 (UNDP, 2022). In the 1980s, the government had begun relaxing import licensing and investment rules, coupled with fiscal expansion, which resulted in increased growth rates, especially between 1987 and 1989. However, the Gulf War in 1990, along with the return of Indian workers and the loss of remittances, exacerbated the foreign exchange crisis. The fiscal expansion of the 1980s had been partially financed by external borrowing, which increased the demand for foreign exchange to service rising external debts (Bardhan, 2022).

In 1991, India adopted pro-market reforms to restore macroeconomic stability. These neoliberal reforms were introduced in the context of a severe balance of payments crisis and under pressure from international financial institutions such as the IMF and World Bank. The shift away from dirigisme brought major changes to the Indian economy. Key aspects of the reforms included the privatization of public companies and increased support for private entrepreneurs. Tariffs on industrial production were significantly reduced—from 355 percent in 1991 to 50 percent in 1996. Additionally, several sectors were opened to foreign capital, allowing majority foreign ownership (Raju, 2020).

Market reforms in India began gradually in the 1980s with the relaxation of licensing rules, allowing companies to expand their capacity to meet pent-up market demand. This, coupled with increased overall investment driven by the import of technology and capital, contributed to a surge in economic activity. However, this period of fiscal profligacy ultimately proved unsustainable, as it failed to keep macroeconomic variables in balance, leading to the severe balance of payments crisis in 1991.

This chapter aims to examine the developmental trajectories of India over the last seventy-five years, during which the country transitioned from a dirigiste model to a neoliberal, pro-market policy framework. The 1991 economic reforms were designed to create a more favourable environment for both domestic and foreign investors. In

DOI: 10.38024/arpe.598

this analysis, I explore the impact of these policies on economic growth, structural transformation, and employment generation.

Over the past three decades, economic reforms have led to a sharp increase in consumer borrowing, often driven by debt-fuelled bubbles. However, these reforms have not been accompanied by corresponding income growth, raising concerns about the sustainability of this growth model. India's current growth trajectory is approaching its limits, constrained by economic, social, political, and environmental challenges (Siddiqui, 2014).

Despite these limitations, India has made notable achievements during this period. In 2021, India's GDP reached approximately US$ 2.90 trillion, with a per capita GDP of US$ 2,144, making it the fifth-largest economy in the world, behind the U.S., China, Japan, and Germany. However, India's GDP and per capita income remain only one-fifth of China's, underscoring the challenges that lie ahead.

There is no doubt that India has achieved remarkable progress over the past seventy-five years, especially when compared to other developing countries in the Global South. Some of the positive developments include the regular conduct of parliamentary and state assembly elections, the emergence of a reasonably diversified economy, a strong industrial base, and self-sufficiency in food production. Since the adoption of neoliberal reforms, India's economy has experienced higher growth rates, both compared to the pre-reform period and other emerging economies. This period of growth has been accompanied by moderate inflation and macroeconomic stability, with the country largely shielded from the extreme volatility seen in many developing nations during the 2008 financial crisis.

There has also been some reduction in poverty levels. However, one of the most pressing concerns remains the lack of structural transformation. The agricultural sector, which continues to employ more than half of the workforce, contributes only 14 percent to GDP as of 2022. This disproportionate reliance on agriculture has limited job creation and income growth in other sectors. Farmers face numerous challenges, including falling incomes, declining public investment in irrigation, and the gradual withdrawal of subsidies. Moreover, India's land productivity per acre lags significantly behind countries like China and Brazil, while unpredictable weather patterns due to climate change further complicate agricultural prospects (Siddiqui, 2015a).

In addition to these agricultural challenges, India faces several other persistent issues: jobless growth, widespread poverty, rising inequality, and insufficient investment in key sectors like health and education (Roy et al 2022). These challenges continue to hinder the country's ability to fully capitalize on its economic potential.

II. Growth Rates, Structural Changes, and Employment

Since the neoliberal reforms were introduced, India's economy has grown at an average rate of 7 percent per annum, significantly higher than the 3 percent annual average witnessed during the pre-reform period from 1950 to 1990. Historically, India's average annual GDP growth rate was just 0.75 percent between 1901 and 1951. (Siddiqui, 2018a) However, after independence, growth accelerated to an average of over 3 percent per year between 1950 and 1980 (Ghose, 2023).

Following the adoption of market reforms, GDP growth rates rose further, averaging 5.3 percent between 1980 and 2001, and an impressive 8 percent per annum between 2002 and 2010. These higher growth rates can largely be attributed to the rising share of the services sector in the economy, which outperformed other sectors, particularly since the 1980s. Increased investment in education and health has also played a crucial role in enhancing overall productivity and the economy's capacity to grow faster, become more competitive, and produce more efficiently.

When examining sector-wise growth, the services sector has consistently outpaced others, growing at over 8 percent annually. By 1993, services had become the dominant sector of the economy, accounting for 41 percent of GDP, while agriculture made up 34 percent and manufacturing 15 percent. By 2018, the services sector's share had risen to 53 percent, while agriculture's contribution to GDP declined steadily to 15 percent, and manufacturing saw a modest increase to 18 percent. The growth in services has been driven by skill-intensive industries such as communication, software, and financial sector. For instance, like communication, software, financial sectors are contributing to this growth and these industries often demand technical skills, advanced education, or training (Ghose, 2023).

This growth in demand has been concentrated in capital-intensive services and manufacturing, as well as sectors like shopping malls, luxury hotels, restaurants, private education, and healthcare. Tiwari and Kumar (2019: 225) summarize the sectoral growth performance as follows: "Growth rates in the manufacturing sector have been reasonable, but the services sector's share grew much higher due to the relatively slow performance of agriculture. As a result, the share of manufacturing in GDP does not show significant improvement. Since employment elasticity in agriculture and manufacturing is much higher than in the services sector, for generating

Volume. 19, Number. 1
DOI: 10.38024/arpe.598

employment and achieving equitable income distribution, it is essential that agriculture grows at more than 4 percent and manufacturing at more than 10 percent".

Recent rapid growth has also been driven primarily by the services sector, which has contributed to rising inequality. This pattern of development and structural change is reaching the limits of its sustainability, constrained by economic, social, political, and environmental challenges. Education is critical in addressing inequality, as countries with higher investment in education tend to experience lower income disparities. An IMF cross-country analysis found that increased education spending helps reduce inequality (Segal, 2022). In India, however, spending on education has stagnated at around 3 percent of GDP between 2014 and 2019, far below the 6 percent that an industrializing economy should allocate more resources in education. Spending on education has stagnated" means that the amount of money India has been allocating to education has remained the same or has shown very little growth over time. In short, India's investment in education from 2014 to 2019 has been stagnant at around 3% of its GDP, which is significantly lower than the recommended 6%, especially for a country working to industrialize and develop its economy (Ghose, 2023).

Jayati Ghosh (2015: 42-43) argues that "recent high economic growth in India was linked to financial degradation that sparked a retail credit boom, combined with fiscal concessions aimed at stimulating consumption among the wealthiest segments of the population. This led to a rapid increase in aggregate gross domestic product (GDP) even as deflationary fiscal policies, poor employment generation, and a persistent agrarian crisis reduced wage shares in national income and kept mass consumption demand low. There was a significant rise in profit shares within the economy and a proliferation of financial activities. By 2009-2010, finance and real estate accounted for more than 15 percent of GDP. This surge, along with rising asset values, facilitated a credit-fuelled consumption boom among the rich and middle classes, particularly in urban areas. In turn, this dynamic generated higher rates of investment and output during the economic upswing".

India has struggled to transform its economy by expanding output in higher-value sectors, leaving a significant portion of the population still reliant on low-productivity agriculture. Over the past three decades of rapid growth, the country has failed to significantly reduce the proportion of people dependent on agriculture, leading to persistently high levels of unemployment and poverty (World Bank, 2022). The consumer boom, driven by debt, has increased demand for certain goods, particularly among those whose incomes have risen in recent years (Ghosh, 2015). However, the weaknesses of India's neoliberal strategy are evident in growing internal imbalances, a lack of job creation, inadequate infrastructure development, and low public spending on health and education (Siddiqui, 2024).

During the dirigiste period, public expenditure served as a crucial stimulus for economic growth (Siddiqui, 2023b). In contrast, the past three decades have seen a shift toward debt-financed demand for houses, cars, and consumer goods, primarily benefiting the elites and upper-middle classes. This shift has moved away from the previous emphasis on public spending as a driver of growth (Ghose, 2023). It is essential to critically examine the impact of economic growth on equity and its beneficiaries. Keynes emphasized that income redistribution plays a key role in boosting aggregate demand, as workers typically have a higher marginal propensity to consume. This, in turn, induces further demand, investment, and growth. In India, the neglect of equitable growth and the focus on elite consumption have limited the broader benefits of economic expansion.

When India gained independence in 1947, the country's literacy rate was less than 10 percent, and its annual growth rate stood at only 0.8 percent. In contrast, prior to colonization in 1750, India's economic conditions were markedly different, contributing more than a quarter of global output and emerging as the world's leading producer of manufactured goods and technology. After two centuries of British rule, by 1947, India's economy had shrunk to just 3.8 percent of global output, plagued by mass poverty and underdevelopment.

Despite notable successes in post-independence India, high levels of poverty and unemployment persisted and remained unresolved. The rapidly growing population continued to undermine efforts to reduce overall unemployment and raise per capita income. For instance, while employment increased by 2 percent annually, matching population growth, the absolute number of unemployed individuals remained high, particularly alienating the youth.

Initially, at the eve of independence, the Indian bourgeoisie supported the idea of building a self-reliant industrial base and developing domestic capitalism. However, by 1990, with the onset of globalization, the ruling elites perceived GDP growth rates as too slow and domestic markets as insufficiently expansive to support their operations. Opportunities for global integration, once deemed unattractive, became crucial for their expansion, and they expected such integration to enhance their businesses and profits.

Some argue that India is unique in pursuing a services-based developmental trajectory, contrasting with the traditional Kuznets model of economic transformation, which typically emphasizes structural diversification in favour of manufacturing before transitioning to services. In this context, it is assumed that services are more labour-intensive. However, a careful analysis of the Indian situation reveals that the volume of net exports from services relative to GDP is relatively small. Consequently, the direct contribution of service exports to growth is limited, and employment generation remains low.

Proponents of market reforms claimed these changes would boost growth rates and lead to increased employment. While growth rates did rise, they did not translate into job creation. In fact, the rate of employment growth declined to nearly 1 percent annually, primarily due to rising labour productivity and the adoption of labour-displacing technologies. This increase in unemployment has suppressed real wage growth and diminished workers' bargaining power. As a result, neoliberal policies have led to a decline in average real income per capita for workers, reflected in a rising poverty ratio despite overall growth (World Bank, 2022).

The dramatic policy shift, framed under the mantra of "there is no alternative", marked a transition from dirigisme to pro-market reforms, which was fully supported by the Indian bourgeoisie. They perceived greater benefits for themselves in the evolving global landscape by integrating with international finance capital (Siddiqui, 2015b). However, this policy shift also implied a greater reliance on foreign capital, a stance India had previously campaigned against during its struggle for independence.

Certainly, the world has changed significantly over the past few decades, and the emerging Indian middle class saw new opportunities for employment through outsourcing and access to Western markets, as promised by pro-market reforms. However, divisions among farmers and workers have deepened along religious and caste lines, exacerbated by rising violence since the destruction of the Babri Mosque in 1992.

The relative share of sectoral growth in India indicates that services have been expanding faster than manufacturing, making a significant contribution to overall economic growth. However, the structural shift towards services, coupled with negligible growth in the agriculture sector, could have serious consequences in the near future. While growth rates in manufacturing are higher than those in agriculture, they still lag behind those in the services sector. This means that the manufacturing share of GDP does not reflect any significant increase.

As of 2020, agriculture accounts for only 14 percent of India's GDP, resulting in an average output per worker in the agricultural sector that is less than one-fourth of that in industry and services. Despite this, the average output per worker in industry and services is not particularly impressive, considering India's low per capita GDP. The withdrawal of state subsidies from agriculture has opened the sector to global agribusiness and domestic entrepreneurs. For instance, although attempts to withdraw price support for food grains were thwarted by a year-long farmers' agitation, the reduction of subsidies on inputs, including credit, has sharply declined the profitability of agriculture sector (Siddiqui, 2024).

Moreover, the ongoing crisis in agriculture has led to an increase in farmer suicides and prompted many farmers to migrate to cities in search of employment, further exacerbating the already high levels of unemployment in the country.

The employment growth trends from previous decades, as computed by the National Sample Survey (NSS) on 'Employment and Unemployment Survey,' present a less optimistic picture. Despite sharp GDP growth rates since 1991, the growth of employment has consistently declined. This trend can largely be attributed to the increasing use of capital-intensive and labour-displacing technologies in production. During the post-reform period (1992-2013), employment growth averaged only 1.3 percent annually. The employment generated during this time primarily occurred in construction and low-productivity services, often characterized by precarious and casual work conditions (Tiwari and Kumar, 2019).

Laissez-faire economic ideas, which advocate for the operation of the 'invisible hand' and assume that equilibrium will be restored in the long run, have proven to be incorrect. This was evident during the Great Depression of the 1930s and again during the global financial and economic crisis of 2008. Nearly a century ago, J.M. Keynes argued that to resolve economic recessions and lift economies out of the Great Depression, raising aggregate demand was essential for creating employment. He advocated for the use of expansionary fiscal and monetary policies. Keynes suggested that during economic downturns, the state should invest and encourage private investors to do the same, thereby increasing overall investments, leading to a rise in employment and incomes.

Blind reliance on market forces may overlook equity and distributional issues, potentially widening the gap between the rich and the poor. Before the 1990s, India's industrialization strategy focused on building heavy industries under the public sector to establish a self-reliant industrial base (Siddiqui, 2015c). The consumer goods sector was largely assigned to the private sector and regulated through a quota-license raj, which fostered corruption. Economic growth during this period was low compared to other East Asian economies, averaging only 3.5 percent

DOI: 10.38024/arpe.598

annually, whereas it increased to about 7 percent between 1992 and 2022.

In India, the pro-market reforms of 1991 involved the relaxation of licensing policies, granting a greater role to private entrepreneurs, the privatization of public sector enterprises, and efforts to attract foreign capital. These reforms aimed to integrate the Indian economy with the global market by opening up the economy and providing concessions to multinational corporations (MNCs) and international capital.

Over the last four decades, the share of workers in the primary sector has declined significantly, from 71.1 percent in 1980 to 48 percent in 2022. In contrast, the share of the secondary sector has risen from 12.6 percent to nearly 23.8 percent during the same period, while the tertiary sector has increased from 16.3 percent to 28 percent. In terms of sector-wise employment, the decline in agriculture's share of workers has been accompanied by an increase in the share of workers in services and construction.

As noted by Tiwari and Kumar (2019: 234): "The decline in the share of workers in agriculture and allied sectors was about 16 percent, with a corresponding increase in the share of construction (around 7 percent), trade, hotels and restaurants (around 4 percent), and transport, storage, and communication (around 2 percent). The shifts from agriculture to the construction and services sectors had a positive impact on income distribution, favouring workers who transitioned to these relatively more productive sectors".

III. Engines of Growth

India's national income is estimated by the Central Statistics Office (CSO) using both income and expenditure methods. Analysing these data provides insights into the key factors driving growth. During the Covid-19 pandemic, the agricultural sector surprisingly outpaced other sectors in growth (Bhalla et al, 2022). In contrast, trade, hotels, and transport and communications experienced an average annualized negative growth of -1.9 percent, as these industries were significantly impacted by Covid-19-related restrictions (See Table 1).

Meanwhile, financial and real estate services, as well as public administration and defence, continued to grow at more than twice the rate of GDP growth. However, it is important to note that the benefits of this growth predominantly accrue to a thin layer of elites at the top.

Sector	2018–19	2019–20	2020–21	2021–22	AG (%)
Agriculture, forestry & fishing	100.0	104.3	107.7	111.0	3.7
Mining	100.0	97.5	89.1	94.0	-0.2
Manufacturing	100.0	97.6	97.0	106.6	2.2
Electricity, gas, water & other utilities	100.0	102.1	98.4	105.8	1.9
Construction	100.0	101.1	93.6	104.4	1.5
Trade, hotels, transport & communication	100.0	106.4	84.9	94.3	-1.9
Finance, real estate & professional services	100.0	107.3	109.7	114.3	4.8
Public administration & defence	100.0	108.3	102.3	115.2	5.1

Table 1: *Sources of Growth – Income Method*
Source: Central Statistics Office (CSO), Government of India, various years.

The Central Statistics Office (CSO) estimate from the 2017-18 Consumption Expenditure Survey reveals a dismal performance regarding access to adequate nutrition. Among the urban population, 60 percent could not access the 2,100 calories per person per day benchmark set by the Planning Commission for urban poverty, a slight increase from 57 percent in 1993-94 but a decrease from 65 percent in 2011-12. In rural India, where the benchmark is 2,200 calories per person per day, the proportion unable to meet this standard exceeded 80 percent, compared to 58 percent in 1993-94 and 68 percent in 2011-12. This indicates that the poverty ratio in 2017-18 was significantly higher than in 2011-12 (Datt et al 2019).

Under neoliberal policies, India appears to be pursuing an income-deflationary strategy aimed at facilitating export-led and profit-driven development, primarily benefiting corporations and banks. The emphasis on labour flexibility, combined with a surplus of unemployed individuals, has contributed to a decrease in the wage share of national income (Patnaik, 2008). Over the last three decades, the wealth accumulation has disproportionately favoured the rich and large corporations, particularly those linked to global financial markets. For instance, since 1991, the top 10 percent of earners have increased their share of income significantly. According to the Credit Suisse's Global Wealth Report (2018), India's top 1 percent holds 51.1 percent of the nation's wealth, while the bottom 60 percent collectively own only 4.7 percent.

The Congress-led government's adoption of neoliberal reforms in 1991 marked a significant shift in India's economic policy, with most national political parties endorsing the IMF and World Bank neoliberal frameworks. This increased trade liberalization and integration with global markets has made the Indian economy more vulnerable to global shocks, including the global financial crisis, rising oil prices, and other economic downturns.

IV. Consequences of Neoliberal Reforms

The implementation of neoliberal economic policies in India has led to increased capital intensity and a retreat of the state from key production and distribution areas. This shift has resulted in growing inequalities, a slowdown in job creation, rising unemployment, and a declining wage share in national income. As subsidies have been gradually withdrawn and the market system has become more integrated, farmers are increasingly reliant on purchased inputs in deregulated markets. They now find themselves dependent on selling their products in volatile markets with little state-guaranteed pricing.

A critical failure of these reforms has been the lack of structural change in favor of manufacturing, which was expected to diversify the economy, create employment, and transition people from low-value agriculture to higher-value manufacturing. India's development trajectory over the past three decades starkly contrasts with the earlier industrialization and modernization experiences of Western Europe, North America, Japan, East Asia, and more recently, China. This deviation contradicts the classical patterns of industrialization and modernization identified by economists such as Lewis and Kaldor (Kaldor, 1956; Patnaik, 2008).

Additionally, India has pursued developmental strategies that do not prioritize domestic savings or the expansion of the domestic market for mass consumption goods through radical asset distribution. Efforts to remove traditional rural monopolies to foster rural equality have fallen short. Although land and tenant reforms were enacted post-independence, they were not comprehensive enough to effect significant change in rural inequality, unlike in countries such as Japan, South Korea, Taiwan, and China. This inadequacy has hampered the expansion of domestic markets for industrial goods, adversely affecting the growth of the manufacturing sector (Stiglitz, 2013).

V. Poverty Trends in India

Poverty in India significantly increased between 2011-12 and 2017-18. Following this period, from 2019 to 2021, the C0vid-19 pandemic severely impacted the economy, leading to higher unemployment rates than before the pandemic. Claims that the poverty ratio has sharply declined lack credibility. (Bhalla et al, 2022) While some argue that calorie intake should not solely determine poverty, it is generally expected that an increase in real income in a developing economy like India should lead to higher calorie intake (Datt et al 2019).

On other indicators of hunger, such as population undernourishment, child stunting, and child mortality, the situation in 2023 was distinctly worse than in 2008. The only exception was undernourishment, which remained roughly the same but was worse compared to 2000. This suggests that claims of improved real incomes among the lower segments of the population are far from accurate.

The latest Global Hunger Report indicates that India's rank in the Global Hunger Index (GHI) has slipped further to 111 out of 125 countries, compared to 107 out of 121 countries the previous year. In 2014, when the current government took power, India's rank in the GHI was 55 out of 120 countries. A joint report released in July by five UN organizations on the State of Food Security and Nutrition showed that between 2019-21 and 2020-22, the number of people facing moderate or severe food insecurity in India increased from 570 million to 590 million, while those facing chronic hunger rose from 220 million to 230 million.

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme was introduced in 2004 under the Congress government to benefit the rural poor. However, in recent years, funding for this and other social welfare schemes has been drastically cut. For example, the allocation for MGNREGS was reduced by 30%.

VI. Employment Trends during Economic Reforms

During the economic reform period, job creation primarily benefited skilled and educated individuals. However, even many educated graduates struggled to find suitable employment. In fact, within the services sector, the share of communications, financial, and business services reached as high as 15% during this period.

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DOI: 10.38024/arpe.598

Manufacturing experienced slower growth rates, averaging 7% between 1992 and 2022. Within this sector, machinery and equipment grew at a more robust rate of 11% per annum. Nevertheless, employment generation in the rapidly growing services sector was sluggish. Fast-growing sectors like communications, business, and financial services employed only 7 million people, representing about 2% of total employment in 1992. By 2011, this number increased to 12 million (or 3.8% of total employment), and by 2018, it further rose to 24 million (approximately 5.4% of total employment).

This trend indicates that India's rapid growth from 1992 to 2022 was exclusive, benefiting capital- and skill-intensive services. Consequently, the main beneficiaries of this growth were capital owners, along with wealthy professionals and managers, who captured a significant share of incremental income.

VII. Impact of Crony Capitalism in India

The phenomenon of crony capitalism - characterized by favouritism, where only a select few businesses receive preferential treatment from the ruling party and government officials—emerged during this time. Economic reforms led to liberalization and privatization, reducing the state's role in production while enhancing the influence of private investors in the national economy. These investors increasingly became part of government delegations during foreign visits. According to the London-based Economist, India ranked seventh on the Crony Capitalism Index in 2021, with crony capitalist wealth accounting for 8% of India's total output. The share of corporate profits generated by the twenty most profitable businesses increased dramatically, from 14% in 1990 to 30% in 2010, and soaring to 70% by 2019 (Kamble, 2023).

In India, the financial stability of banks has been compromised by pressures to provide loans favouring specific businesses, undermining fair competition. This phenomenon, often referred to as crony capitalism, operates as a pressure group, significantly influencing official policymaking to gain advantages for select entities (Siddiqui, 2023).

According to an Oxfam study (2022), in 2020, India's top 10% held approximately 45% of the country's wealth. India ranks third globally for the number of billionaires, trailing only behind China and the United States. Notably, India's 98 billionaires collectively possess wealth equivalent to US$ 657 billion, which is more than the total wealth held by 40% of the population.

During the Covid-19 pandemic, while the majority of Indians experienced income losses, Forbes reported that India's billionaires enjoyed an 80% increase in profits compared to 2020. For example, Gautam Adani's net worth surged to US$ 82.2 billion due to investments in Carmichael mines in Australia and Mumbai Airport. Similarly, Mukesh Ambani saw his wealth double from US$ 36.8 billion to US$85.8 billion during the same period, despite over 120 million job losses, with 92 million from the informal sector.

Oxfam (2022: 10) highlights that "human capital inequality negatively influences economic growth rates because inequality transfers income from low-saving households in the bottom and middle of the income distribution, especially in countries like India, to higher-saving households at the top of the pyramid". This transfer results in reduced consumption spending, which in turn slows demand and demand-driven growth. Oxfam argues that the only way to reverse India's economic slowdown is to stimulate demand by putting more money in the hands of the populace. The corporate tax cuts from 30% to 22% in 2020 aimed at attracting foreign capital led to a loss of billions of dollars and contributed to increased fiscal deficits. During the pandemic, the government's capacity to generate tax revenue was severely weakened, with gross tax revenue (GST) losing 42% of its annual revenue in the first eight months of 2020. This shortfall was partially compensated by raising indirect taxes.

In response to surging agricultural prices, the government invited large corporations into the agricultural sector, believing this would resolve falling investment. However, this policy shift has faced significant opposition from farmers. The assumption that self-correcting market mechanisms exist is increasingly being questioned, particularly due to ongoing deflationary strategies and the unique nature of India's economic growth, which has exacerbated the agricultural crisis. Although the government withdrew controversial farm laws, one of these laws would have allowed greater private trader involvement while reducing state intervention in the Mandi system (the marketing of farm produce). Critics argue that while Mandis are often seen as exploitative, implementing the proposed laws would leave farmers with a minimal share of the consumer prices due to the monopolistic position of large buyers (Siddiqui, 2024).

DOI: 10.38024/arpe.598

VIII. Conclusion

As India celebrates its 75th year of independence, the prospects for democracy appear bleak. The parliamentary democratic system and the constitutional provisions that underpin democracy are under serious threat from Hindu extremist factions. This erosion undermines the essential norms of democracy and compromises the institutions designed to maintain checks and balances between the executive, legislature, and judiciary.

The strategy of economic development and industrialisation pursued after independence by extending protection to domestic industries and focus on domestic markets. This was welcomed by the big bourgeoisie as they saw very positive move of acquiring the domestic market for itself, while barring foreign businesses into India's markets except compelling foreign producers to enter into collaboration agreements with the local producers. This strategy worked fine as long home market was growing and this was associated with the rise in public investment. The increase in public investment depended on two things, namely on the growth of agricultural output and the ability of state to tax the elites to finance public spending. The increase in public spending beyond a point would create excessive inflationary pressures in the economy.

Post independent did promise to carry out land reforms and work towards removal of social-economic inequality in the rural sector. The successive land reforms although removed absentee large landowners but did not break land concentration, and did not alter the economic conditions of the marginal farmers and landless labourers. Although the rate of growth of agricultural production was much higher than the colonial period but was unable to match of growing population. And the dirigiste strategy increasingly came to dead-end. The Indian government looking towards closer integration with the foreign capital to find a solution and this coincided at time when metropolitan capital was whole heartedly supported globalisation and seeking new markets to increase their profits and investments (Siddiqui, 2010). Furthermore, in the 1980s with growing balance of payments crisis led to the dramatic changes in the government policy with the acceptance of IMF recommendations in exchange of economic reforms (Berman, 2019).

Between 1950 and 1980, India pursued a dirigiste policy characterized by a high level of protection against foreign goods, stringent control over cross-border capital flows, and significant state support for farmers and small producers. The public sector played a crucial role, particularly in mining, infrastructure, power generation, irrigation, and technological development, aiming to reduce dependence on monopolistic practices of developed economies.

Despite some shortcomings, the dirigiste regime achieved notable successes in various areas. For example: Industrial Growth: Industrial growth accelerated considerably compared to the colonial period, resulting in increased GDP and food production. Self-Sufficiency in Food: India successfully implemented Import Substitution Industrialization (ISI), leading to significant growth in food output and self-sufficiency. The state intervened by subsidizing agricultural inputs, investing in new seed technology, providing affordable credit through nationalized banks, and establishing a public distribution system with subsidized prices for low-income households. This intervention was crucial in reversing the recurring famines that plagued India during the colonial era (Siddiqui, 2020), ultimately ending famines and raising per capita food grain availability to 180.2 kg by 2000 (Berman, 2019).

Despite these achievements, the average GDP growth rate during the dirigiste period was over 3%, resulting in a per capita growth rate of only 1.8%—an improvement compared to the stagnation of the colonial period, but still lagging behind the performance of East Asian economies. Furthermore, job creation was insufficient, averaging only 2% annually, which barely matched the population growth rate and led to a steady rise in unemployment.

Although India undertook land reforms to address ownership issues by eliminating absentee landowners and compensating large landowners while extending rights to tenants, these measures were not fully implemented. The proportion of total land held by the top 15% remained largely unchanged, and agricultural workers saw little increase in land ownership. However, public investments in irrigation and increased access to bank credit paved the way for capitalist development in agriculture, particularly during the Green Revolution from the mid-1960s. These investments led to: Increased land productivity through better irrigation, improved seeds, and higher cropping intensity. Significant public investment in rural development, contributing to enhanced agricultural output.

The collapse of the Soviet Union in 1991 and the rising burden of foreign debt prompted a re-evaluation of India's economic strategy. The Indian elite sought closer ties with the United States as the only viable option for expansion. Faced with a balance of payments crisis, India adopted pro-market reforms in 1991. This transition marked a significant shift in economic performance, with GDP growth nearly doubling from an average of 3.5% during the dirigiste era to about 7% between 1992 and 2022. However, job creation halved, dropping from 2% to 1% annually during the neoliberal period. Notably, the rate of population growth exceeded 1%, resulting in job

DOI: 10.38024/arpe.598

creation lagging behind the growing working-age population and an increase in unemployment.

The key policy aim of current globalization is to promote the free movement of goods, services, and capital across borders (Girdner and Siddiqui, 2008). Although India has not adopted a fully convertible currency, resulting in some restrictions on capital flows, foreign investors can move money in and out of the country without restrictions. Since the introduction of pro-market reforms in 1991, import restrictions have been significantly reduced in accordance with World Trade Organization (WTO) agreements, leading to a sharp decline in import tariffs.

Under neoliberal economic reforms, farmers have increasingly lost access to institutional credit, forcing them to rely on private money lenders who charge exorbitant interest rates. Additionally, public investments in irrigation and infrastructure have declined due to strict fiscal responsibility rules, limiting the fiscal deficit as a percentage of GDP. The privatization of education and healthcare has further burdened farmers, compelling them to seek these services at significantly higher costs from private providers.

The Indian state, under neoliberal globalization, appears to prioritize the interests of a domestic corporate financial oligarchy and a new urban elite eager to align themselves with Western consumption patterns, often at the expense of the poor. While GDP growth rates have remained high post-reforms, the growth of employment has stagnated, with a rising number of unemployed individuals and deepening poverty among one-third of the population (World Bank, 2022). The easier import process has pressured domestic producers to adopt imported technology, which is typically more capital-intensive and less labour-intensive. This shift may increase labour productivity but fails to generate sufficient employment opportunities. Such trends have led economists to describe India's recent economic growth as "jobless growth".

The study indicates that economic growth in the post-reform period has primarily stemmed from the services and manufacturing sectors, with the expansion of services outpacing manufacturing. However, the employment elasticity of the service sector is significantly lower than that of agriculture and manufacturing, leading to lower-than-expected employment growth. A large proportion of India's population still relies on agriculture for their livelihoods, where output per worker remains substantially lower than in manufacturing and services. The neglect of the agricultural sector during the post-reform period—marked by declining public investment—has adversely impacted the many people dependent on it.

Finally, under WTO pressure for trade liberalization in agricultural commodities, neoliberal policies have exposed small producers to the volatility of international markets, where large agro-corporations, often subsidized by their governments, dominate agricultural trade. The role of the state has shifted from promoting investment and increasing output to maintaining law and order and safeguarding foreign capital interests. Prior to the 1991 reforms, the agricultural sector benefited from state subsidies that enabled small and medium farmers to produce and sell goods at competitive prices. However, the current crisis in agriculture can be linked to the significant reduction in public investment and rising input costs due to WTO pressures and market integration under neoliberalism.

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Volume. 19, Number. 1
DOI: 10.38024/arpe.598